



FEASIBILITY STUDY

Proposed Limited-Service Hotel

MURRIETA, CALIFORNIA

SUBMITTED TO:

Mr. Scott Agajanian
City of Murrieta Economic Development
Department
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Murrieta, California 92562

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PREPARED BY:

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May 10, 2022

Mr. Scott Agajanian
City of Murrieta Economic Development Department
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Re: Proposed Limited-Service Hotel
Murrieta, California
HVS Reference: 2022020581

Dear Mr. Agajanian:

Pursuant to your request, we herewith submit our feasibility study pertaining to the above-captioned property. We have inspected the real estate and analyzed the hotel market conditions in the Murrieta, California, area. We have studied the proposed project, and the results of our fieldwork and analysis are presented in this report. We have also reviewed the proposed improvements for this site. Our report was prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP), as provided by the Appraisal Foundation.

We hereby certify that we have no undisclosed interest in the property, and our employment and compensation are not contingent upon our findings. This study is subject to the comments made throughout this report and to all assumptions and limiting conditions set forth herein.

Sincerely,
TS Worldwide, LLC



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Table of Contents

SECTION	TITLE	PAGE
1.	Executive Summary	4
2.	Description of the Site and Neighborhood	17
3.	Market Area Analysis	27
4.	Supply and Demand Analysis	46
5.	Description of the Proposed Improvements	69
6.	Projection of Occupancy and Average Rate	76
7.	Projection of Income and Expense	82
8.	Feasibility Analysis	91
9.	Statement of Assumptions and Limiting Conditions	104
10.	Certification	107
	Addenda	
	Qualifications	
	Copy of Appraisal License(s)	

1. Executive Summary

Subject of the Feasibility Study

The City of Murrieta represents an opportunity for potential hotel investors. HVS is conducting this study to determine the feasibility of developing a hotel in Murrieta.

Based on our analysis, we recommend that the proposed subject hotel operate as an upper-midscale, limited-service property. For the purposes of this study, we anticipate the hotel will open on January 1, 2025, will feature 120 rooms, and amenities typical of a limited-service hotel such as a breakfast dining area, 500 square feet of meeting space, an outdoor pool and whirlpool, a fitness room, a lobby workstation, a market pantry, and a guest laundry room. The hotel should also contain the appropriate parking capacity and all necessary back-of-the-house space.

At the time of this study, a particular site had yet to be selected for development; however, the City of Murrieta's Economic Development Office has earmarked several areas and sites primed for development within the city. These sites are privately owned. The City plans to work with a potential developer in facilitating the acquisition of a suitable site for this proposed hotel development. Based on our conversations with representatives of the Economic Development Office, these sites are located adjacent to retail centers and along major thoroughfares. A summary of these potential development sites are illustrated further throughout this report.

Pertinent Dates

The effective date of the report is May 10, 2022. The potential subject sites were inspected by Marcus R. Lee on March 24, 2022 and by Luigi Major, MAI, on April 8, 2022.

Global Considerations

The hospitality industry has been, and continues to be, affected by a variety of external factors that influence both the lodging and the investment markets. The following paragraphs outline the global factors that are the most impactful to the lodging industry as of the effective date of this report.

The COVID-19 pandemic began in early 2020 and has had a significant impact throughout the world and on the respective economies. The onset of the pandemic resulted in decreased business activity, causing widespread economic hardships, including increases in unemployment. The hospitality industry was severely affected, as travel declined sharply and restrictions on group sizes resulted in the cancellations of meetings, conventions, and events. The depth and duration of this impact was influenced by the course of the pandemic and the nature and extent of restrictions on business and travel activity. In most areas, the period of greatest impact was 2020. With the availability of vaccines and lifting of restrictions,

conditions generally improved in 2021, although the Omicron variant slowed the recovery in the latter part of the year. While the emergence of other variants may influence the pace of the recovery, the prevailing market outlook is that the peak impact of the pandemic on the travel industry is behind us. The U.S. economy is recovering, and demand is anticipated to continue to strengthen. Our market research reflects a general expectation that the U.S. lodging market will recover to 2019 levels by 2023/24; the timing and pace of recovery for individual markets will vary based on market-specific characteristics and conditions.

The ongoing Russian invasion of Ukraine and the resulting war has given rise to widespread economic and political uncertainty. In response to the conflict, international travel has declined, with both inbound and outbound traffic dropping sharply. Leisure demand in the United States is expected to remain strong, as concerns about international destinations deter travel, particularly to Europe. Gateway lodging markets are anticipated to experience the largest degree of impact. However, the greatest economic impact is likely to result from the sanctions imposed by the United States and other countries on Russia and the resulting increase in energy prices and other costs of goods. Furthermore, logistical limitations on exports from Ukraine may also affect the global supply chain and prices. These conditions are expected to remain in place until the conflict is resolved and/or sanctions are lifted, or the degree of uncertainty diminishes.

Exacerbated by rising oil and natural gas prices in the wake of the Russia-Ukraine conflict, the inflationary trends that first emerged during the pandemic have continued. Driven by supply-chain disruptions and pent-up consumer demand during the pandemic, prices for most goods and services are increasing. Higher fuel costs may affect both vehicle and air travel costs, which could in turn impact travel and lodging demand. As of the current date, inflation levels are expected to remain elevated in the near term. Over the longer term, inflation is anticipated to moderate back to more normalized levels once supply disruptions resolve and as consumer spending and investment slow following interest-rate hikes.

In preparing this report, we have considered the impact of these factors on the lodging and investment markets to the best of our ability, inclusive of the subject of this report. However, our analysis only considers what is known at the time of the effective date of the report, and there is a high degree of uncertainty currently influencing the market and the economy.

Ownership, Franchise, and Management Assumptions

At the time of this study, a particular site had yet to be selected for development; however, the City of Murrieta's Economic Development Office has earmarked several areas and sites primed for development within the city. These sites are privately owned. The City plans to work with a potential developer in facilitating the acquisition of a suitable site for this proposed hotel development. Based on our

conversations with representatives of the Economic Development Office, these sites are located adjacent to retail centers and along major thoroughfares. A summary of these potential development sites is provided throughout this report.

We assume that the proposed hotel will be managed by a professional hotel-operating company, with fees deducted at rates consistent with current market standards. Our projections reflect a total management fee of 3.0% of total revenues.

We recommend that the proposed subject hotel operate as an upper-midscale, limited-service property. Accordingly, we have assumed a market-average franchise fee for a national, limited-service hotel affiliation throughout the forecast period.

The following tables presents typical national brands available within the limited-service chain scale as well as typical franchise costs associated with the individual affiliations. *The bold and italicized* brands are presently represented in Murrieta.

FIGURE 1-1 LIMITED-SERVICE BRANDS

	Marriott	Hilton	InterContinental Hotel Group	Choice Hotels	Radisson	Wyndham	Best Western
Limited-Service/Midscale		Tru by Hilton Motto by Hilton	avid	Quality Inn Sleep Inn		Ramada	Best Western
Limited-Service/Upper-Midscale	Fairfield Inn by Marriott Fairfield Inn & Suites by Marriott	<i>Hampton by Hilton</i> <i>Hampton Inn & Suites by Hilton</i>	<i>Holiday Inn Express</i> <i>Holiday Inn Express & Suites</i>	<i>Comfort Inn</i> Comfort Suites	Country Inn & Suites by Radisson	La Quinta by Wyndham Wingate by Wyndham	Best Western Plus Best Western Glo

FIGURE 1-2 SUMMARY OF FRANCHISE FEE OPTIONS

Franchise Name	Rooms	Marketing	Total
Fairfield Inn by Marriott	5.50%	2.50%	8.00%
Hampton by Hilton	6.00%	4.00%	10.00%
Holiday Inn Express	6.00%	3.00%	9.00%
La Quinta by Wyndham	5.00%	4.50%	9.50%
Tru by Hilton	5.00%	4.00%	9.00%
Comfort Inn	6.00%	3.50%	9.50%
Comfort Suites	6.00%	3.50%	9.50%

Summary of Hotel Market Trends

Prior to 2020, both occupancy and ADR generally followed a strengthening trend, with RevPAR increasing year-over-year from 2010 through 2017 despite new supply from 2015 through 2017. This improvement in market conditions was driven largely by the heightened popularity of Temecula's wine region following the recession, with local wineries and resorts attracting wedding groups and leisure travelers. Area festivals, such as the Temecula Valley Balloon & Wine Festival and the Temecula Art & Street Painting Festival, also continued to gain exposure.

Furthermore, the Temecula Valley was becoming a more affordable weekend getaway for regional residents when compared with some of the more expensive resort destinations along the Pacific Coast. Occupancy remained relatively stable in 2017, before declining in 2018 due to the openings of the Hampton by Hilton and Courtyard by Marriott in 2017, as well as the addition of 568 rooms at the Pachanga Resort Casino in March 2018. ADR also declined in 2018. Although demand increased in 2019, occupancy and ADR remained relatively flat as supply growth kept pace with demand growth.

In March 2020, the COVID-19 pandemic began to affect the local market, similar to the rest of the nation, resulting in stay-at-home orders, group cancellations, and decreased business travel; thus, occupancy declined significantly in 2020. As much of the demand remaining was lower rated in nature, ADR declined in 2020, as well. General improvement has been registered since the low point that year. By year-end 2021, occupancy had recovered a substantial portion of its 2020 losses, gaining traction in the latter half of the year after the wide distribution of vaccines. Furthermore, by year-end 2021, ADR surpassed 2019 levels by approximately \$18. Year-to-date data through March 2022 reflects a continuation of this recovery trend. While the pandemic will continue to affect business and larger-scale groups to some degree in the near term, the overall outlook is optimistic given the dynamics of this market, the return to office operations, and the increase in group demand.

The following table provides a historical perspective on the supply and demand trends for a selected set of hotels, as provided by STR.

FIGURE 1-3 HISTORICAL SUPPLY AND DEMAND TRENDS (STR)

Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Change	Occupancy	Average Rate	Change	RevPAR	Change
2009	755	275,498	—	160,851	—	58.4 %	\$115.83	—	\$67.63	—
2010	844	308,060	11.8 %	188,735	17.3 %	61.3	109.31	(5.6) %	66.97	(1.0) %
2011	844	308,060	0.0	208,636	10.5	67.7	110.62	1.2	74.92	11.9
2012	844	307,907	(0.0)	215,038	3.1	69.8	114.47	3.5	79.95	6.7
2013	843	307,695	(0.1)	222,926	3.7	72.5	116.63	1.9	84.50	5.7
2014	843	307,695	0.0	235,167	5.5	76.4	121.66	4.3	92.98	10.0
2015	860	313,856	2.0	250,190	6.4	79.7	126.98	4.4	101.22	8.9
2016	944	344,560	9.8	271,167	8.4	78.7	132.26	4.2	104.09	2.8
2017	1,022	373,162	8.3	295,048	8.8	79.1	135.58	2.5	107.20	3.0
2018	1,248	455,471	22.1	338,828	14.8	74.4	130.27	(3.9)	96.91	(9.6)
2019	1,401	511,190	12.2	381,927	12.7	74.7	130.71	0.3	97.66	0.8
2020	1,468	535,708	4.8	288,115	(24.6)	53.8	115.18	(11.9)	61.95	(36.6)
2021	1,718	627,143	17.1	438,808	52.3	70.0	148.95	29.3	104.22	68.2
Year-to-Date Through March										
2021	1,658	149,194	—	92,472	—	62.0 %	\$114.51	—	\$70.97	—
2022	1,773	159,554	6.9 %	96,667	4.5 %	60.6	153.82	34.3 %	93.19	31.3 %
Average Annual Compounded Change:										
2009 – 2019			6.4 %	9.0 %			1.2 %			3.7 %
2009 – 2020			6.2	5.4			(0.1)			(0.8)

Hotels Included in Sample	Class	Competitive Status	Number of Rooms	Year Affiliated	Year Opened
Residence Inn Temecula Murrieta	Upscale Class	Secondary	101	Nov 2015	Nov 2015
Holiday Inn Express & Suites Murrieta - Temecula	Upper Midscale Class	Primary	105	Dec 2019	Dec 2019
Comfort Inn & Suites Murrieta Temecula Wine Country	Upper Midscale Class	Primary	66	Sep 2003	Sep 2003
Courtyard Temecula Murrieta	Upscale Class	Primary	183	Jun 2020	Dec 2017
Hampton by Hilton Inn & Suites Murrieta Temecula	Upper Midscale Class	Primary	106	Jun 2017	Jun 2017
Fairfield Inn & Suites Menifee	Upper Midscale Class	Secondary	99	Oct 2020	Oct 2020
Best Western Plus Temecula Wine Country Hotel & Suites	Upper Midscale Class	Secondary	60	Oct 2018	Oct 2018
Home2 Suites by Hilton Temecula	Upper Midscale Class	Secondary	120	Mar 2019	Mar 2019
Hilton Garden Inn Temecula	Upscale Class	Secondary	104	Mar 2022	Mar 2022
SpringHill Suites Temecula Valley Wine Country	Upscale Class	Secondary	134	May 2020	Sep 2009
La Quinta Inns & Suites Temecula	Upper Midscale Class	Secondary	56	Mar 2008	Mar 2008
Fairfield Inn & Suites Temecula	Upper Midscale Class	Secondary	94	Mar 2007	Mar 2007
Hampton by Hilton Inn & Suites Temecula	Upper Midscale Class	Secondary	98	Jun 2004	Jun 2004
Holiday Inn Express Temecula	Upper Midscale Class	Secondary	90	Jun 2003	Jun 1999
Staybridge Suites Temecula - Wine Country	Upscale Class	Secondary	124	Mar 2021	Mar 2021
Embassy Suites by Hilton Temecula Valley Wine Country	Upper Upscale Class	Secondary	176	Jul 1993	Jun 1990
Temecula Creek Inn	Luxury Class	Secondary	125	Jul 2020	Jun 1969
Total			2,710		

Source: STR

The following tables reflect our estimates of operating data for hotels on an individual basis. These trends are presented in detail in the Supply and Demand Analysis chapter of this report.

FIGURE 1-4 PRIMARY COMPETITORS – OPERATING PERFORMANCE

Property	Number of Rooms	Est. Segmentation			Weighted Annual Room Count	Estimated 2019			Weighted Annual Room Count	Estimated 2021			Occupancy Penetration	Yield Penetration
		Commercial	Leisure	Group		Occ.	Average Rate	RevPAR		Occ.	Average Rate	RevPAR		
Courtyard by Marriott Temecula Murrieta	183	40 %	50 %	10 %	183	65 - 70 %	\$120 - \$125	\$80 - \$85	183	55 - 60 %	\$150 - \$160	\$85 - \$90	80 - 85 %	80 - 85 %
Hampton by Hilton Murrieta Temecula	106	40	55	5	106	65 - 70	125 - 130	85 - 90	106	75 - 80	140 - 150	110 - 115	110 - 120	110 - 120
Holiday Inn Express & Suites Murrieta Temecula	105	40	55	5	9	1 - 5	120 - 125	5 - 10	105	60 - 65	130 - 140	85 - 90	85 - 90	80 - 85
Comfort Inn & Suites Temecula Wine Country	66	40	55	5	66	75 - 80	115 - 120	85 - 90	66	70 - 75	120 - 125	90 - 95	100 - 110	85 - 90
Sub-Totals/Averages	460	40 %	53 %	7 %	364	68.9 %	\$123.33	\$84.91	460	66.4 %	\$140.52	\$93	95 %	90.1 %
Secondary Competitors	1,277	45 %	45 %	10 %	813	76.8 %	\$132.70	\$101.88	986	71.5 %	\$151.58	\$108	102 %	104.6 %
Totals/Averages	1,737	44 %	47 %	9 %	1,177	74.3 %	\$130.02	\$96.63	1,446	69.9 %	\$148.23	\$104	100 %	100.0 %

** Specific occupancy and average rate data were utilized in our analysis, but are presented in ranges in the above table for the purposes of confidentiality.*

FIGURE 1-5 SECONDARY COMPETITORS – OPERATING PERFORMANCE

Property	Number of Rooms	Est. Segmentation			Total Competitive Level	Estimated 2019				Estimated 2021			
		Commercial	Leisure	Group		Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR
Hampton by Hilton Temecula	98	40 %	55 %	5 %	80 %	78	75 - 80 %	\$130 - \$140	\$100 - \$105	78	70 - 75 %	\$160 - \$170	\$115 - \$120
Fairfield by Marriott Temecula	94	40	55	5	80	75	60 - 65	115 - 120	70 - 75	75	60 - 65	130 - 140	80 - 85
Holiday Inn Express Temecula	90	40	55	5	80	72	80 - 85	105 - 110	85 - 90	72	75 - 80	120 - 125	90 - 95
Best Western Plus Temecula Wine Country Hotel & Suites	60	40	55	5	80	48	70 - 75	110 - 115	75 - 80	48	70 - 75	110 - 115	75 - 80
La Quinta Inn & Suites Temecula	56	40	55	5	80	45	75 - 80	125 - 130	100 - 105	45	70 - 75	110 - 115	80 - 85
SpringHill Suites by Marriott Temecula Valley Wine Country	134	40	50	10	80	107	75 - 80	125 - 130	95 - 100	107	70 - 75	140 - 150	110 - 115
Residence Inn by Marriott Temecula Murrieta	101	60	30	10	80	81	75 - 80	150 - 160	120 - 125	81	75 - 80	170 - 180	130 - 140
Home2 Suites by Hilton Temecula	120	60	30	10	80	80	70 - 75	115 - 120	85 - 90	96	75 - 80	150 - 160	115 - 120
Staybridge Suites Temecula - Wine Country	124	60	30	10	80	Not Open				83	65 - 70	160 - 170	115 - 120
Embassy Suites Temecula Valley Wine Country	176	50	35	15	75	132	85 - 90	140 - 150	125 - 130	132	65 - 70	170 - 180	115 - 120
Temecula Creek Inn	125	35	50	15	75	94	65 - 70	160 - 170	105 - 110	94	55 - 60	190 - 200	115 - 120
Fairfield by Marriott Menifee	99	40	55	5	75	Not Open				74	65 - 70	130 - 140	90 - 95
Totals/Averages	1,277	45 %	45 %	10 %	78 %	813	76.8 %	\$132.70	\$101.88	986	71.5 %	\$151.58	\$108.37

* Specific occupancy and average rate data was utilized in our analysis, but is presented in ranges in the above table for the purposes of confidentiality.

Summary of Forecast Occupancy and Average Rate

Based on our analysis presented in the Projection of Occupancy and Average Rate chapter, we have chosen to use a stabilized occupancy level of 77% and a base-year rate position of for the proposed subject hotel. The following table reflects a summary of our proposed subject hotel occupancy and average rate projections.

FIGURE 1-6 FORECAST OF OCCUPANCY AND AVERAGE RATE

Year	Occupancy	Average Rate		Average Rate After Discount
		Before Discount	Discount	
2025	69 %	\$167.52	2.0 %	\$164.16
2026	74	172.54	1.0	170.82
2027	77	177.72	0.0	177.72

Summary of Forecast Income and Expense Statement

Our positioning of each revenue and expense level is supported by comparable operations or trends specific to this market. Our forecast of income and expense is presented in the following table.

FIGURE 1-7 DETAILED FORECAST OF INCOME AND EXPENSE

	2025 (Calendar Year)				2026				Stabilized				2028				2029			
Number of Rooms:	120				120				120				120				120			
Occupancy:	69%				74%				77%				77%				77%			
Average Rate:	\$164.16				\$170.82				\$177.72				\$183.05				\$188.54			
RevPAR:	\$113.27				\$126.40				\$136.84				\$140.95				\$145.18			
Days Open:	365				365				365				365				365			
Occupied Rooms:	30,222	%Gross	PAR	POR	32,412	%Gross	PAR	POR	33,726	%Gross	PAR	POR	33,726	%Gross	PAR	POR	33,726	%Gross	PAR	POR
OPERATING REVENUE																				
Rooms	\$4,961	97.8 %	\$41,342	\$164.15	\$5,536	98.0 %	\$46,133	\$170.80	\$5,994	98.0 %	\$49,950	\$177.73	\$6,173	98.0 %	\$51,442	\$183.03	\$6,359	98.0 %	\$52,992	\$188.55
Other Operated Departments	80	1.6	666	2.64	84	1.5	700	2.59	87	1.4	729	2.59	90	1.4	751	2.67	93	1.4	773	2.75
Miscellaneous Income	30	0.6	250	0.99	31	0.6	262	0.97	33	0.5	273	0.97	34	0.5	282	1.00	35	0.5	290	1.03
Total Operating Revenues	5,071	100.0	42,257	167.79	5,651	100.0	47,095	174.36	6,114	100.0	50,952	181.29	6,297	100.0	52,474	186.71	6,487	100.0	54,055	192.33
DEPARTMENTAL EXPENSES *																				
Rooms	1,245	25.1	10,378	41.21	1,318	23.8	10,979	40.65	1,379	23.0	11,488	40.87	1,420	23.0	11,833	42.10	1,462	23.0	12,187	43.36
Other Operated Departments	41	51.1	340	1.35	42	50.4	353	1.31	44	50.0	365	1.30	45	50.0	375	1.34	46	50.0	387	1.38
Total Expenses	1,286	25.4	10,719	42.56	1,360	24.1	11,332	41.96	1,422	23.3	11,852	42.17	1,465	23.3	12,208	43.44	1,509	23.3	12,574	44.74
DEPARTMENTAL INCOME	3,785	74.6	31,538	125.23	4,292	75.9	35,763	132.41	4,692	76.7	39,100	139.12	4,832	76.7	40,266	143.27	4,978	76.7	41,481	147.59
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	455	9.0	3,795	15.07	478	8.5	3,981	14.74	498	8.1	4,150	14.77	513	8.1	4,275	15.21	528	8.1	4,403	15.67
Info & Telecom Systems	64	1.3	534	2.12	67	1.2	560	2.07	70	1.1	584	2.08	72	1.1	601	2.14	74	1.1	619	2.20
Marketing	199	3.9	1,660	6.59	209	3.7	1,742	6.45	218	3.6	1,816	6.46	224	3.6	1,870	6.65	231	3.6	1,926	6.85
Franchise Fee	446	8.8	3,721	14.77	498	8.8	4,152	15.37	539	8.8	4,496	16.00	556	8.8	4,630	16.47	572	8.8	4,769	16.97
Prop. Operations & Maint.	171	3.4	1,423	5.65	202	3.6	1,680	6.22	233	3.8	1,945	6.92	240	3.8	2,004	7.13	248	3.8	2,064	7.34
Utilities	213	4.2	1,779	7.06	224	4.0	1,866	6.91	233	3.8	1,945	6.92	240	3.8	2,004	7.13	248	3.8	2,064	7.34
Total Expenses	1,549	30.6	12,911	51.26	1,678	29.8	13,980	51.76	1,792	29.2	14,936	53.14	1,846	29.2	15,383	54.74	1,901	29.2	15,846	56.38
GROSS OPERATING PROFIT	2,235	44.0	18,628	73.96	2,614	46.1	21,783	80.65	2,900	47.5	24,164	85.98	2,986	47.5	24,883	88.54	3,076	47.5	25,635	91.21
Management Fee	152	3.0	1,268	5.03	170	3.0	1,413	5.23	183	3.0	1,529	5.44	189	3.0	1,574	5.60	195	3.0	1,622	5.77
INCOME BEFORE NON-OPR. INC. & EXP.	2,083	41.0	17,360	68.93	2,444	43.1	20,370	75.42	2,716	44.5	22,635	80.54	2,797	44.5	23,309	82.93	2,882	44.5	24,013	85.44
NON-OPERATING INCOME & EXPENSE																				
Property Taxes	287	5.7	2,388	9.48	292	5.2	2,436	9.02	298	4.9	2,484	8.84	304	4.8	2,534	9.02	310	4.8	2,585	9.20
Insurance	59	1.2	489	1.94	60	1.1	504	1.86	62	1.0	519	1.85	64	1.0	534	1.90	66	1.0	550	1.96
Total Expenses	345	6.9	2,877	11.42	353	6.3	2,939	10.88	360	5.9	3,003	10.69	368	5.8	3,068	10.92	376	5.8	3,135	11.16
EBITDA	1,738	34.1	14,483	57.51	2,092	36.8	17,430	64.53	2,356	38.6	19,632	69.85	2,429	38.7	20,240	72.02	2,505	38.7	20,878	74.29
Reserve for Replacement	101	2.0	845	3.36	170	3.0	1,413	5.23	245	4.0	2,038	7.25	252	4.0	2,099	7.47	259	4.0	2,162	7.69
EBITDA LESS RESERVE	\$1,637	32.1 %	\$13,638	\$54.15	\$1,922	33.8 %	\$16,018	\$59.30	\$2,111	34.6 %	\$17,594	\$62.60	\$2,177	34.7 %	\$18,141	\$64.55	\$2,246	34.7 %	\$18,716	\$66.59

*Departmental expenses are expressed as a percentage of departmental revenues.

FIGURE 1-8 TEN-YEAR FORECAST OF INCOME AND EXPENSE

	2025		2026		2027		2028		2029		2030		2031		2032		2033		2034	
Number of Rooms:	120		120		120		120		120		120		120		120		120		120	
Occupied Rooms:	30,222		32,412		33,726		33,726		33,726		33,726		33,726		33,726		33,726		33,726	
Occupancy:	69%		74%		77%		77%		77%		77%		77%		77%		77%		77%	
Average Rate:	\$164.16	% of	\$170.82	% of	\$177.72	% of	\$183.05	% of	\$188.54	% of	\$194.20	% of	\$200.02	% of	\$206.02	% of	\$212.20	% of	\$218.57	% of
RevPAR:	\$113.27	Gross	\$126.40	Gross	\$136.84	Gross	\$140.95	Gross	\$145.18	Gross	\$149.53	Gross	\$154.02	Gross	\$158.64	Gross	\$163.40	Gross	\$168.30	Gross
OPERATING REVENUE																				
Rooms	\$4,961	97.8 %	\$5,536	98.0 %	\$5,994	98.0 %	\$6,173	98.0 %	\$6,359	98.0 %	\$6,549	98.0 %	\$6,746	98.0 %	\$6,948	98.0 %	\$7,157	98.0 %	\$7,371	98.0 %
Other Operated Departments	80	1.6	84	1.5	87	1.4	90	1.4	93	1.4	96	1.4	98	1.4	101	1.4	104	1.4	108	1.4
Miscellaneous Income	30	0.6	31	0.6	33	0.5	34	0.5	35	0.5	36	0.5	37	0.5	38	0.5	39	0.5	40	0.5
Total Operating Revenues	5,071	100.0	5,651	100.0	6,114	100.0	6,297	100.0	6,487	100.0	6,680	100.0	6,881	100.0	7,087	100.0	7,301	100.0	7,519	100.0
DEPARTMENTAL EXPENSES *																				
Rooms	1,245	25.1	1,318	23.8	1,379	23.0	1,420	23.0	1,462	23.0	1,506	23.0	1,552	23.0	1,598	23.0	1,646	23.0	1,695	23.0
Other Operated Departments	41	51.1	42	50.4	44	50.0	45	50.0	46	50.0	48	50.0	49	50.0	51	50.0	52	50.0	54	50.0
Total Expenses	1,286	25.4	1,360	24.1	1,422	23.3	1,465	23.3	1,509	23.3	1,554	23.3	1,601	23.3	1,649	23.3	1,698	23.3	1,749	23.3
DEPARTMENTAL INCOME	3,785	74.6	4,292	75.9	4,692	76.7	4,832	76.7	4,978	76.7	5,126	76.7	5,281	76.7	5,439	76.7	5,602	76.7	5,770	76.7
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	455	9.0	478	8.5	498	8.1	513	8.1	528	8.1	544	8.1	561	8.1	577	8.1	595	8.1	613	8.1
Info & Telecom Systems	64	1.3	67	1.2	70	1.1	72	1.1	74	1.1	77	1.1	79	1.1	81	1.1	84	1.1	86	1.1
Marketing	199	3.9	209	3.7	218	3.6	224	3.6	231	3.6	238	3.6	245	3.6	253	3.6	260	3.6	268	3.6
Franchise Fee	446	8.8	498	8.8	539	8.8	556	8.8	572	8.8	589	8.8	607	8.8	625	8.8	644	8.8	663	8.8
Prop. Operations & Maint.	171	3.4	202	3.6	233	3.8	240	3.8	248	3.8	255	3.8	263	3.8	271	3.8	279	3.8	287	3.8
Utilities	213	4.2	224	4.0	233	3.8	240	3.8	248	3.8	255	3.8	263	3.8	271	3.8	279	3.8	287	3.8
Total Expenses	1,549	30.6	1,678	29.8	1,792	29.2	1,846	29.2	1,901	29.2	1,958	29.2	2,017	29.2	2,078	29.2	2,140	29.2	2,204	29.2
GROSS OPERATING PROFIT	2,235	44.0	2,614	46.1	2,900	47.5	2,986	47.5	3,076	47.5	3,168	47.5	3,263	47.5	3,361	47.5	3,462	47.5	3,565	47.5
Management Fee	152	3.0	170	3.0	183	3.0	189	3.0	195	3.0	200	3.0	206	3.0	213	3.0	219	3.0	226	3.0
INCOME BEFORE NON-OPR. INC. & EXP.	2,083	41.0	2,444	43.1	2,716	44.5	2,797	44.5	2,882	44.5	2,967	44.5	3,057	44.5	3,148	44.5	3,243	44.5	3,340	44.5
NON-OPERATING INCOME & EXPENSE																				
Property Taxes	287	5.7	292	5.2	298	4.9	304	4.8	310	4.8	316	4.7	323	4.7	329	4.6	336	4.6	342	4.6
Insurance	59	1.2	60	1.1	62	1.0	64	1.0	66	1.0	68	1.0	70	1.0	72	1.0	74	1.0	77	1.0
Total Expenses	345	6.9	353	6.3	360	5.9	368	5.8	376	5.8	384	5.7	393	5.7	401	5.6	410	5.6	419	5.6
EBITDA	1,738	34.1	2,092	36.8	2,356	38.6	2,429	38.7	2,505	38.7	2,583	38.8	2,664	38.8	2,747	38.9	2,833	38.9	2,921	38.9
Reserve for Replacement	101	2.0	170	3.0	245	4.0	252	4.0	259	4.0	267	4.0	275	4.0	283	4.0	292	4.0	301	4.0
EBITDA LESS RESERVE	\$1,637	32.1 %	\$1,922	33.8 %	\$2,111	34.6 %	\$2,177	34.7 %	\$2,246	34.7 %	\$2,316	34.8 %	\$2,389	34.8 %	\$2,463	34.9 %	\$2,541	34.9 %	\$2,620	34.9 %

As illustrated, the hotel is expected to stabilize at a profitable level. Please refer to the Forecast of Income and Expense chapter of our report for a detailed explanation of the methodology used in deriving this forecast.

Feasibility Conclusion

To determine the feasibility of this project, we have developed an estimate of the total development costs, which includes hard costs, FF&E, soft costs, pre-opening costs, and working capital, as well as the developer's fee. Our development cost estimate is supported by actual cost comparables and the annual *HVS Development Cost Survey*. We recommend that the development team obtain a more detailed development cost estimate from actual construction companies. It is also advised that developers consult more than one source in their hotel development process to more accurately assess the cost of development.

Based on our market analysis, there is sufficient market support for the development of a limited-service hotel in Murrieta over the long term. Based on the current market-appropriate discount rate and terminal capitalization rate, the present value of the cash flows at opening is \$25,100,000. In order for the development of a proposed limited-service hotel to remain feasible, the all-in development costs for the project should remain below this amount. Our conclusions are based primarily on the long-term strength of this hotel market, and the data suggest that sufficient demand should return to support the development of the proposed hotel by both the opening and stabilized years.

Assignment Conditions

"Extraordinary Assumption" is defined in USPAP as follows:

An assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions. Comment: Uncertain information might include physical, legal, or economic characteristics of the subject property; or conditions external to the property, such as market conditions or trends; or the integrity of data used in an analysis.¹

The analysis is based on the extraordinary assumption that the described improvements have been completed as of the stated date of opening. The reader should understand that the completed subject property does not yet exist as of the date of this report. Our feasibility study does not address unforeseeable events that could alter the proposed project, and/or the market conditions reflected in the analyses; we assume that no significant changes, other than those anticipated and explained in this report, shall take place between the date of inspection and stated date of opening. The use of this extraordinary assumption may have affected the

¹The Appraisal Foundation, *Uniform Standards of Professional Appraisal Practice*, 2020–2021 ed.

assignment results. We have made no other extraordinary assumptions specific to this feasibility study. However, several important general assumptions have been made that apply to this feasibility study and our studies of proposed hotels in general. These aspects are set forth in the Assumptions and Limiting Conditions chapter of this report.

Intended Use of the Feasibility Study

This feasibility report is being prepared for use in the development of the proposed subject hotel.

Identification of the Client and Intended User(s)

The client for this engagement is City of Murrieta Economic Development Department. This report is intended for the addressee firm and may not be distributed to or relied upon by other persons or entities.

Scope of Work

The methodology used to develop this study is based on the market research and valuation techniques set forth in the textbooks authored by Hospitality Valuation Services for the American Institute of Real Estate Appraisers and the Appraisal Institute, entitled *The Valuation of Hotels and Motels*,² *Hotels, Motels and Restaurants: Valuations and Market Studies*,³ *The Computerized Income Approach to Hotel/Motel Market Studies and Valuations*,⁴ *Hotels and Motels: A Guide to Market Analysis, Investment Analysis, and Valuations*,⁵ and *Hotels and Motels – Valuations and Market Studies*.⁶

1. All information was collected and analyzed by the staff of TS Worldwide, LLC. Information was supplied by the client and/or the property's development team.
2. The subject site has been evaluated from the viewpoint of its physical utility for the future operation of a hotel, as well as access, visibility, and other relevant factors.
3. The subject property's proposed improvements have been reviewed for their expected quality of construction, design, and layout efficiency.

² Stephen Rushmore, *The Valuation of Hotels and Motels*. (Chicago: American Institute of Real Estate Appraisers, 1978).

³ Stephen Rushmore, *Hotels, Motels and Restaurants: Valuations and Market Studies*. (Chicago: American Institute of Real Estate Appraisers, 1983).

⁴ Stephen Rushmore, *The Computerized Income Approach to Hotel/Motel Market Studies and Valuations*. (Chicago: American Institute of Real Estate Appraisers, 1990).

⁵ Stephen Rushmore, *Hotels and Motels: A Guide to Market Analysis, Investment Analysis, and Valuations* (Chicago: Appraisal Institute, 1992).

⁶ Stephen Rushmore and Erich Baum, *Hotels and Motels – Valuations and Market Studies*. (Chicago: Appraisal Institute, 2001).

4. The surrounding economic environment, on both an area and neighborhood level, has been reviewed to identify specific hostelry-related economic and demographic trends that may have an impact on future demand for hotels.
5. Dividing the market for hotel accommodations into individual segments defines specific market characteristics for the types of travelers expected to utilize the area's hotels. The factors investigated include purpose of visit, average length of stay, facilities and amenities required, seasonality, daily demand fluctuations, and price sensitivity.
6. An analysis of existing and proposed competition provides an indication of the current accommodated demand, along with market penetration and the degree of competitiveness. Unless noted otherwise, we have inspected the competitive lodging facilities summarized in this report.
7. Documentation for an occupancy and ADR projection is derived utilizing the build-up approach based on an analysis of lodging activity.
8. A detailed projection of income and expense made in accordance with the Uniform System of Accounts for the Lodging Industry sets forth the anticipated economic benefits of the proposed subject property.
9. A feasibility analysis is performed, in which the market equity yield that an investor would expect is compared to the equity yield that an investor must accept.

2. Description of the Site and Neighborhood

The suitability of the land for the operation of a lodging facility is an important consideration affecting the economic viability of a property and its ultimate marketability. Factors such as size, topography, access, visibility, and the availability of utilities have a direct impact on the desirability of a particular site.

At the time of this study, a particular site had yet to be selected for development; however, the City of Murrieta has earmarked several areas and sites suitable for the development of a hotel within the city. These sites are privately owned. The City plans to work with a potential developer in facilitating the acquisition of a suitable site for the proposed hotel development. This site is in the city of Murrieta, California.

Development Site Options

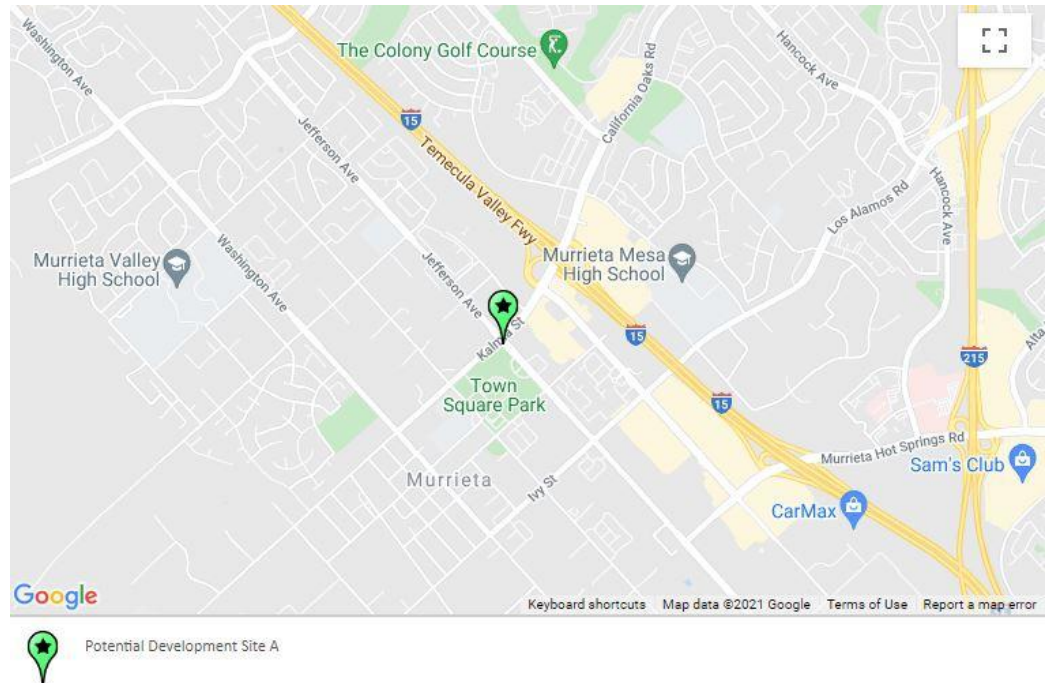
We have surveyed available vacant land in Murrieta suitable for hotel development and have proposed the following sites as potential hotel development sites. Accordingly, we have listed a summary of advantages and disadvantages to each site; however, a hotel developer would have to conduct independent research and make a final determination on site suitability for the prospective hotel development.

SITE A – MURRIETA TOWN HALL



Location: Vacant land parcels southwest of the intersection formed by Jefferson Avenue and Kalmia Street

SITE A – LOCATION MAP



Advantages:

- Proximate to Downtown Murrieta and within walking distance to retail and food and beverage options
- Proximate to several commercial demand generators

Disadvantages:

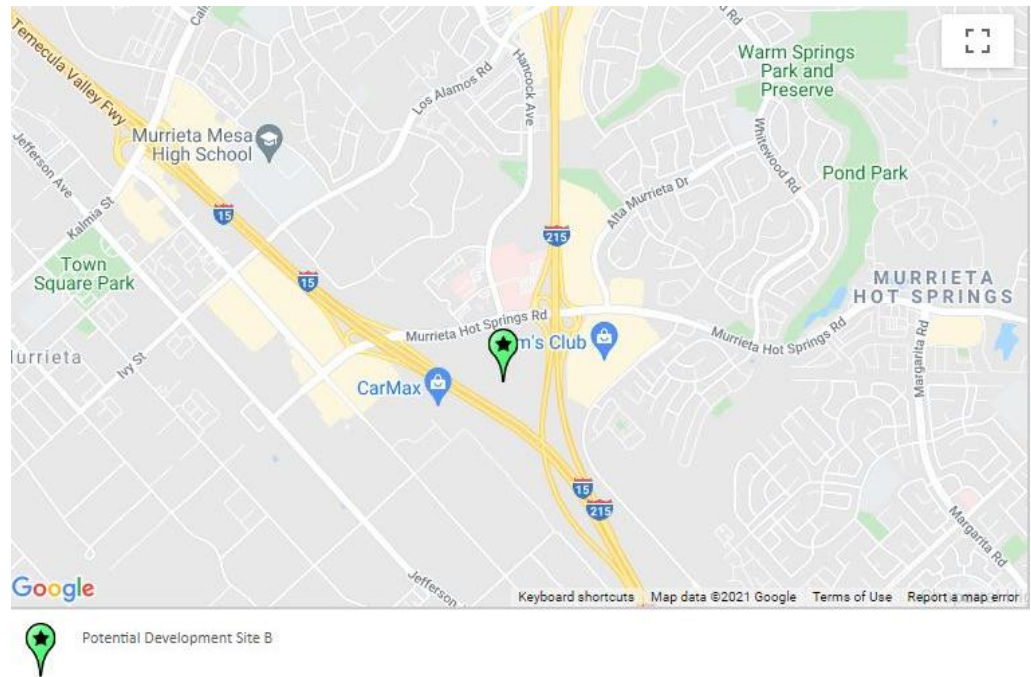
- Limited availability of vacant land

SITE B – INTERSECTION OF INTERSTATE 215 AND INTERSTATE 15



Location: Vacant land parcels bounded by Murrieta Hot Springs Road to the North, Interstate 15 to the Southwest, and Interstate 251 to the Southeast.

SITE B – LOCATION MAP



Advantages:

- Interstate visibility and access
- Proximate to CarMax auction lot, a major commercial demand generator for Murrieta

Disadvantages:

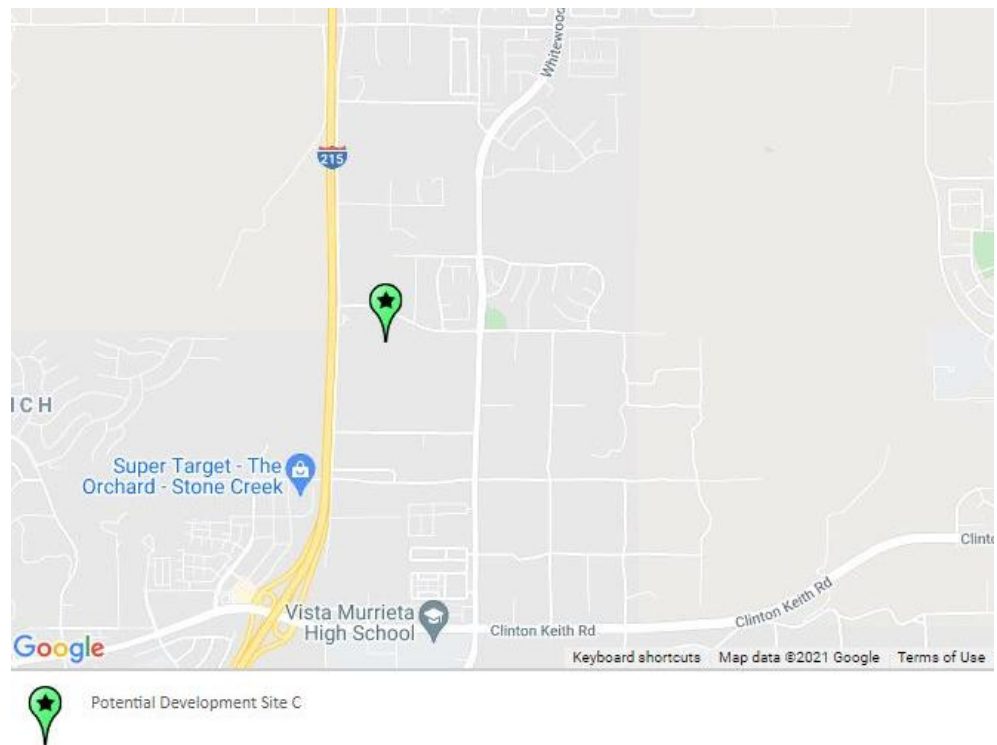
- Potential for highway noise

SITE C – NORTHEAST MURRIETA



Location: Several vacant land parcels bounded by Keller Road to the North, Clinton Keith Road to the South, Whitewood Road to the East, and Interstate 215 to the west.

SITE C – LOCATION MAP



Advantages:

- Large availability of vacant land
- Proximate to Interstate 215, with potential for highway visibility
- Proximate to two major medical centers, Loma Linda University Medical Center and Kaiser Permanente Medical Center

Disadvantages:

- Potential for highway noise

Topography and Site Utility

The topography of the chosen site is expected to be generally flat, and its shape should permit efficient use of the site for the building and other improvements, as well as ingress and egress. Upon completion of construction, the selected subject site is not anticipated to contain any significant portion of undeveloped land that could be sold, entitled, and developed for alternate use. It is expected that the site will be developed fully with building and site improvements, thus contributing to the overall profitability of the hotel.

Access and Visibility

It is important to analyze the site with respect to regional and local transportation routes and demand generators, including ease of access. The subject site is readily accessible to a variety of local and county roads, as well as state and interstate highways.

MAP OF REGIONAL ACCESS ROUTES



Regional access to/from the city of Murrieta, California, and the potential hotel sites is considered very good.

Vehicular access to the selected subject site is expected to be provided by a major thoroughfare or a connecting secondary road. Both Interstate 15 and Interstate 215, which are the major north/south thoroughfares through the city, provide easy access to the sites that are being considered for hotel development. The proposed subject hotel is anticipated to have adequate signage at the street, as well as on its façade. Overall, the proposed hotel is expected to enjoy good visibility from within its local neighborhood.

Airport Access

The proposed subject hotel will be served by the John Wayne Airport, which is located approximately 40 miles to the northwest of the Murrieta Town Hall. The proposed subject hotel will also be served by the San Diego International Airport, which is located approximately 60 miles to the south of the Murrieta Town Hall.

Neighborhood

The neighborhood surrounding a lodging facility often has an impact on a hotel's status, image, class, style of operation, and sometimes its ability to attract and properly serve a particular market segment. This section of the report investigates the subject neighborhood and evaluates any pertinent location factors that could affect its future occupancy, average rate, and overall profitability.

As noted previously, a particular hotel site has yet to be selected, but the City of Murrieta's Economic Development Office has recommended several sites primed for the development of a hotel. These sites are all located adjacent or proximate to main thoroughfares and in active neighborhoods with the necessary ancillary amenities, such as retail and dining outlets, to support the development of a limited-service hotel. The proposed subject hotel's opening should be a positive influence on its local area; the hotel is expected to be in character with and to complement surrounding land uses.

Utilities

The subject site will reportedly be served by all necessary utilities.

Seismicity, Soil and Subsoil Conditions

We surveyed a sample of the three potential areas/sites that are being considered for hotel development by the City of Murrieta. We note that most sites in Murrieta, California, are not located within an earthquake fault zone and have not been evaluated for liquefaction or seismic landslide hazards; however, the state of California is considered to be seismically active. This condition is consistent with the surrounding real estate; thus, it should not affect the chosen subject site's utility or marketability. Given that the particular site had yet to be selected at the time of this study, geological and soil reports were not yet available for our review during the preparation of this report.

Nuisances and Hazards

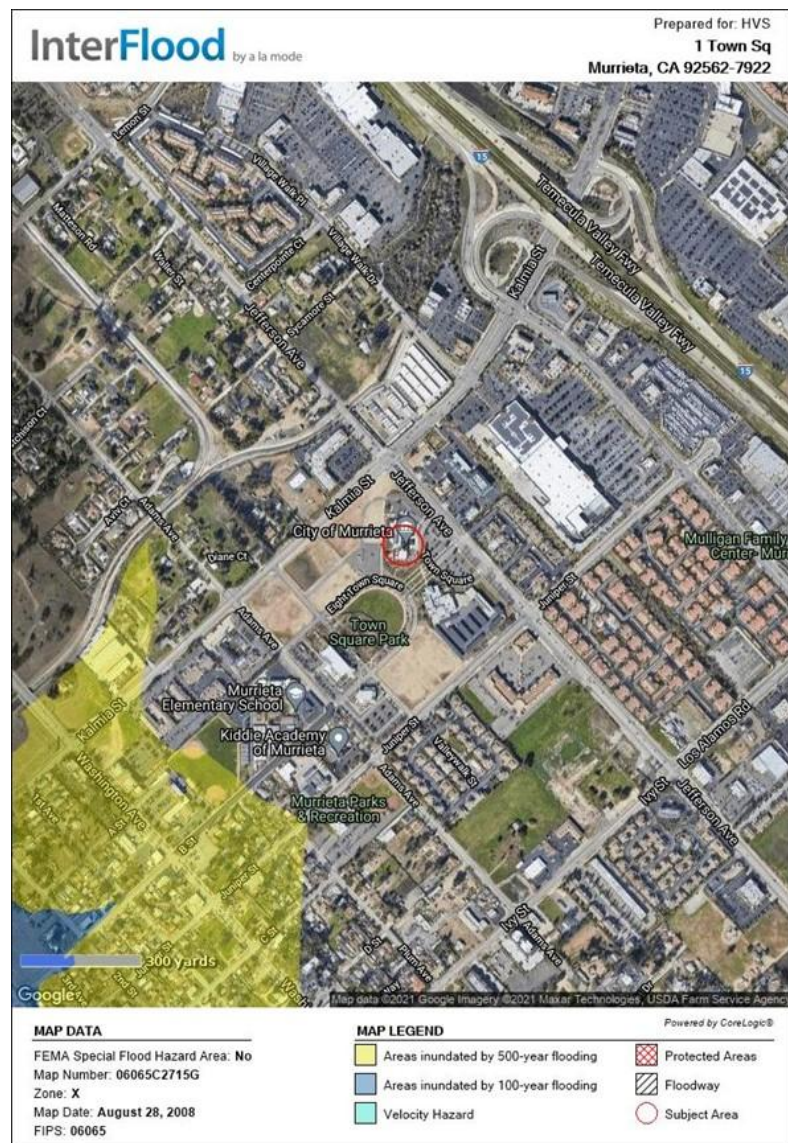
We do not anticipate any site-specific nuisances or hazards in connection with the chosen site for development; however, should the selected site present any signs of nuisance or hazards, including toxic ground contaminants, we would expect these

to be remedied. Because we are not experts in this field, we do not warrant the absence of hazardous waste and urge the reader to obtain an independent analysis of these factors.

Flood Zone

According to the Federal Emergency Management Agency map illustrated below, the majority of sites in Murrieta, CA is located in Zone X.

COPY OF FLOOD MAP AND COVER



Zoning

Given that the particular site had yet to be selected at the time of this study, we are unable to confirm the zoning of the development site. However, the City of Murrieta's Economic Development Office will provide potential developers with the tools to obtain the necessary zoning permits to construct a hotel on the site selected by the developer.

**Legal Description,
Easements and
Encroachments**

Given that a particular site had yet to be selected at the time of this study, no legal descriptions were available. The selected site might be subject to existing easements; thus, we urge the reader to investigate this as part of the due-diligence phase of development.

Conclusion

We have analyzed the issues of size, topography, access, visibility, and the availability of utilities of the potential hotel sites. These sites are located along main thoroughfares with good visibility prospects; furthermore, these sites are proximate to necessary ancillary amenities, such as retail and dining establishments, that would support a limited-service hotel development. In general, any one of these sites would be well suited for future hotel use, with acceptable access, visibility, and topography for an effective operation.

3. Market Area Analysis

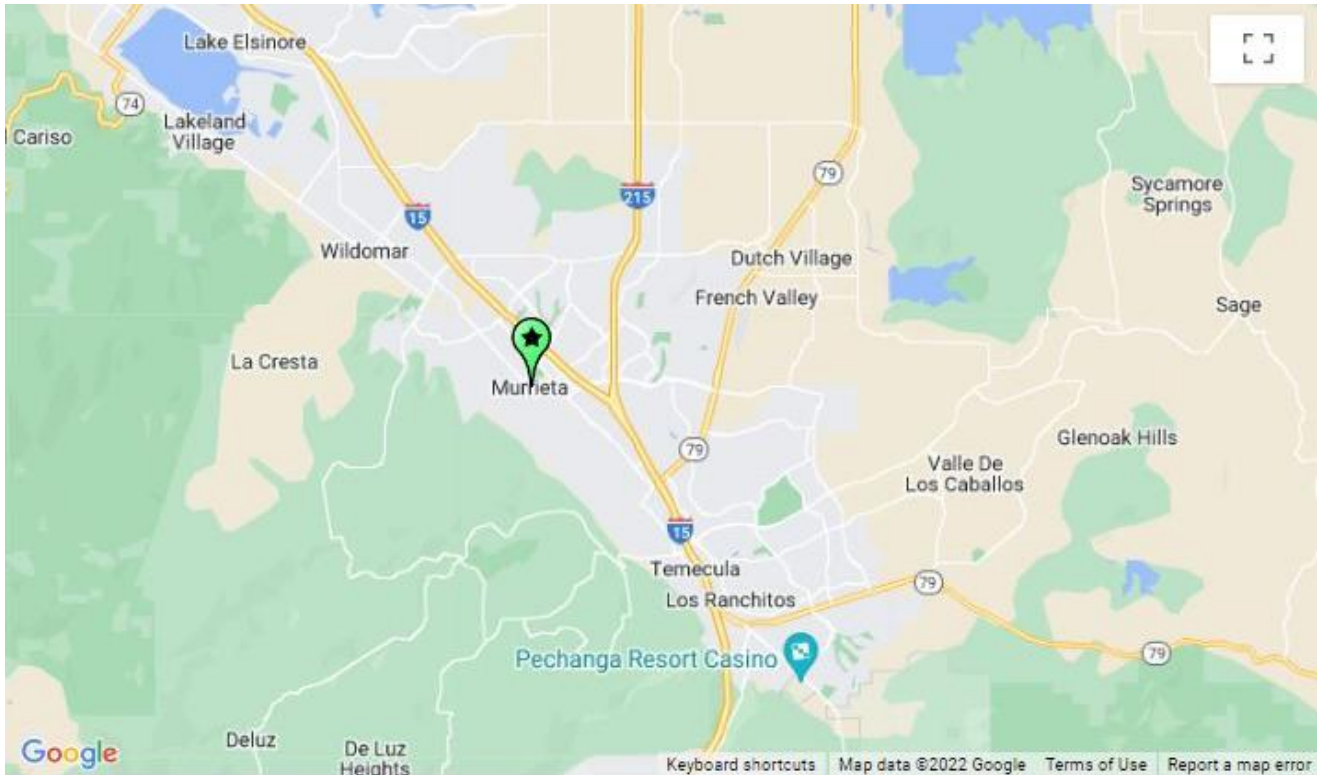
The economic vitality of the market area and neighborhood surrounding the subject site is an important consideration in forecasting lodging demand and future income potential. Economic and demographic trends that reflect the amount of visitation provide a basis from which to project lodging demand. The purpose of the market area analysis is to review available economic and demographic data to determine whether the local market will undergo economic growth, stabilize, or decline. In addition to predicting the direction of the economy, the rate of change must be quantified. These trends are then correlated based on their propensity to reflect variations in lodging demand, with the objective of forecasting the amount of growth or decline in visitation by individual market segment (e.g., commercial, meeting and group, and leisure).

Market Area Definition

The market area for a lodging facility is the geographical region where the sources of demand and the competitive supply are located. The subject site is located in the city of Murrieta, the county of Riverside, and the state of California. Murrieta is a city in Riverside County, California, located approximately 70 miles southeast of Los Angeles and 60 miles north of San Diego. The city was incorporated in 1991. Between 2000 and 2010, the city's population expanded by 134%, making it one of the fastest growing cities in California. The city is typically characterized as a bedroom community. The city is nestled in the Temecula Valley, which serves as one of the state's significant wine-producing regions and features one of California's oldest wineries.

The subject property's market area can be defined by its Combined Statistical Area (CSA): Los Angeles-Long Beach, CA. The CSA represents adjacent metropolitan and micropolitan statistical areas that have a moderate degree of employment interchange. Micropolitan statistical areas represent urban areas in the United States based around a core city or town with a population of 10,000 to 49,999; the MSA requires the presence of a core city of at least 50,000 people and a total population of at least 100,000 (75,000 in New England). The following exhibit illustrates the market area.

MAP OF MARKET AREA



Economic and Demographic Review

A primary source of economic and demographic statistics used in this analysis is the *Complete Economic and Demographic Data Source* published by Woods & Poole Economics, Inc.—a well-regarded forecasting service based in Washington, D.C. Using a database containing more than 900 variables for each county in the nation, Woods & Poole employs a sophisticated regional model to forecast economic and demographic trends. Historical statistics are based on census data and information published by the Bureau of Economic Analysis. Projections are formulated by Woods & Poole, and all dollar amounts have been adjusted for inflation, thus reflecting real change.

These data are summarized in the following table.

FIGURE 3-1 ECONOMIC AND DEMOGRAPHIC DATA SUMMARY

	2010	2019	2021	2026	Average Annual Compounded Change			
					2010-19	2019-21	2021-26	
Resident Population (Thousands)								
Riverside County	2,201.6	2,470.5	2,550.4	2,772.6	1.3 %	1.6 %	1.7 %	
Riverside-San Bernardino-Ontario, CA MSA	4,242.4	4,650.6	4,770.2	5,104.1	1.0	1.3	1.4	
Los Angeles-Long Beach, CA CSA	17,905.9	18,711.4	18,931.5	19,574.4	0.5	0.6	0.7	
State of California	37,319.5	39,512.2	40,021.5	41,481.2	0.6	0.6	0.7	
United States	309,321.6	328,241.4	332,219.5	343,776.8	0.7	0.6	0.7	
Per-Capita Personal Income*								
Riverside County	\$32,076	\$38,614	\$39,783	\$42,708	2.1	1.5	1.4	
Riverside-San Bernardino-Ontario, CA MSA	31,507	38,454	39,740	42,851	2.2	1.7	1.5	
Los Angeles-Long Beach, CA CSA	43,426	55,093	57,019	61,657	2.7	1.7	1.6	
State of California	45,594	60,645	62,758	67,743	3.2	1.7	1.5	
United States	42,366	51,424	53,262	57,739	2.2	1.8	1.6	
W&P Wealth Index								
Riverside County	78.3	77.0	76.7	76.1	(0.2)	(0.2)	(0.1)	
Riverside-San Bernardino-Ontario, CA MSA	76.4	76.1	76.0	75.7	(0.0)	(0.1)	(0.1)	
Los Angeles-Long Beach, CA CSA	103.2	107.1	107.0	106.8	0.4	(0.0)	(0.0)	
State of California	108.0	117.1	117.0	116.5	0.9	(0.0)	(0.1)	
United States	100.0	100.0	100.0	100.0	(0.0)	0.0	0.0	
Food and Beverage Sales (Millions)*								
Riverside County	\$2,688	\$4,188	\$4,494	\$5,353	5.1	3.6	3.6	
Riverside-San Bernardino-Ontario, CA MSA	5,129	7,828	8,334	9,719	4.8	3.2	3.1	
Los Angeles-Long Beach, CA CSA	30,013	45,844	48,131	54,234	4.8	2.5	2.4	
State of California	61,674	95,162	100,010	112,860	4.9	2.5	2.4	
United States	475,553	683,513	718,507	814,042	4.1	2.5	2.5	
Total Retail Sales (Millions)*								
Riverside County	\$26,328	\$35,955	\$38,730	\$44,824	3.5	3.8	3.0	
Riverside-San Bernardino-Ontario, CA MSA	50,981	71,645	76,648	87,224	3.9	3.4	2.6	
Los Angeles-Long Beach, CA CSA	243,659	318,346	335,928	369,347	3.0	2.7	1.9	
State of California	510,394	675,389	713,490	786,486	3.2	2.8	2.0	
United States	4,387,108	5,538,706	5,846,867	6,434,974	2.6	2.7	1.9	

* Inflation Adjusted

Source: Woods & Poole Economics, Inc.

Workforce Characteristics

The U.S. population grew at an average annual compounded rate of 0.7% from 2010 through 2021. The county's population has increased at a quicker pace than the nation's population; the average annual growth rate of 1.3% between 2010 and 2021 reflects a gradually expanding area. Following this population trend, per-capita personal income increased slowly, at 2.0% on average annually for the county between 2010 and 2021. Local wealth indexes have remained stable in recent years, registering a low 76.7 level for the county in 2021.

Food and beverage sales totaled \$4,494 million in the county in 2021, versus \$2,688 million in 2010. This reflects a 4.8% average annual change. The pace of growth is anticipated to be 3.6% through 2026. The retail sales sector demonstrated an annual increase of 3.6% in the decade spanning from 2010 to 2021. An increase of 3.0% average annual change is expected in county retail sales through 2026.

The characteristics of an area's workforce provide an indication of the type and amount of transient visitation likely to be generated by local businesses. Sectors such as finance, insurance, and real estate (FIRE); wholesale trade; and services produce a considerable number of visitors who are not particularly rate sensitive. The government sector often generates transient room nights, but per-diem reimbursement allowances often limit the accommodations selection to budget and mid-priced lodging facilities. Contributions from manufacturing, construction, transportation, communications, and public utilities (TCPU) employers can also be important, depending on the company type.

The following table sets forth the county workforce distribution by business sector in 2019, 2020, and 2021, as well as a forecast for 2026.

FIGURE 3-2 HISTORICAL AND PROJECTED EMPLOYMENT (000S)

Industry	2019	Percent of Total	2020	Percent of Total	2021	Percent of Total	2026	Percent of Total	Average Annual Compounded Change		
									2019- 2020	2020- 2021	2021- 2026
Farm	8.4	0.8 %	8.3	0.8 %	8.2	0.7 %	7.7	0.6 %	(1.2) %	(1.2) %	(1.2) %
Forestry, Fishing, Related Activities And Other	7.6	0.7	7.0	0.7	7.5	0.7	7.4	0.6	(7.8)	7.8	(0.3)
Mining	1.4	0.1	1.1	0.1	1.4	0.1	1.4	0.1	(16.5)	21.0	0.5
Utilities	1.6	0.1	1.6	0.2	1.6	0.1	1.6	0.1	(2.1)	2.7	0.2
Construction	94.1	8.5	91.1	8.8	96.1	8.4	101.4	8.0	(3.1)	5.5	1.1
Manufacturing	50.9	4.6	48.2	4.6	51.4	4.5	51.4	4.0	(5.5)	6.7	(0.0)
Total Trade	151.5	13.7	144.2	13.9	154.6	13.4	162.1	12.7	(4.8)	7.2	0.9
Wholesale Trade	32.5	2.9	31.4	3.0	33.5	2.9	36.2	2.8	(3.5)	6.8	1.6
Retail Trade	119.0	10.8	112.9	10.9	121.1	10.5	125.9	9.9	(5.2)	7.3	0.8
Transportation And Warehousing	74.8	6.8	74.2	7.1	80.7	7.0	96.4	7.6	(0.8)	8.7	3.6
Information	9.4	0.9	8.8	0.8	9.5	0.8	9.6	0.8	(6.5)	7.7	0.3
Finance And Insurance	38.2	3.5	38.6	3.7	40.9	3.6	47.2	3.7	1.0	6.1	2.9
Real Estate And Rental And Lease	52.2	4.7	49.5	4.8	53.6	4.7	58.8	4.6	(5.3)	8.4	1.9
Total Services	472.5	42.8	430.7	41.5	501.2	43.6	577.8	45.4	(8.8)	16.4	2.9
Professional And Technical Services	52.1	4.7	51.1	4.9	54.5	4.7	60.3	4.7	(1.9)	6.6	2.0
Management Of Companies And Enterprises	3.9	0.4	3.7	0.4	3.9	0.3	3.9	0.3	(5.3)	5.9	0.1
Administrative And Waste Services	82.6	7.5	75.8	7.3	88.1	7.7	102.7	8.1	(8.3)	16.2	3.1
Educational Services	14.3	1.3	13.3	1.3	15.5	1.3	18.4	1.4	(7.2)	16.2	3.5
Health Care And Social Assistance	125.8	11.4	122.8	11.8	134.9	11.7	160.9	12.7	(2.3)	9.9	3.6
Arts, Entertainment, And Recreation	25.3	2.3	18.4	1.8	26.6	2.3	30.2	2.4	(27.0)	44.5	2.5
Accommodation And Food Services	92.5	8.4	75.8	7.3	98.5	8.6	114.2	9.0	(18.0)	29.9	3.0
Other Services, Except Public Administration	76.0	6.9	69.7	6.7	79.2	6.9	87.2	6.9	(8.3)	13.6	1.9
Total Government	141.0	12.8	135.5	13.0	143.2	12.5	148.7	11.7	(3.8)	5.7	0.8
Federal Civilian Government	7.4	0.7	7.6	0.7	7.5	0.6	7.7	0.6	3.3	(1.9)	0.7
Federal Military	4.0	0.4	4.0	0.4	4.0	0.3	4.0	0.3	0.0	0.0	0.0
State And Local Government	129.6	11.7	123.9	11.9	131.7	11.5	137.0	10.8	(4.4)	6.3	0.8
TOTAL	1,103.5	100.0 %	1,038.7	100.0 %	1,149.8	100.0 %	1,271.5	100.0 %	(5.9) %	10.7 %	2.0 %
MSA	2,186.3	—	2,064.4	—	2,271.9	—	2,494.0	—	(5.6) %	10.1 %	1.9 %
U.S.	203,809.5	—	191,619.5	—	209,319.1	—	222,948.2	—	(6.0)	9.2	1.3

Source: Woods & Poole Economics, Inc.

Woods & Poole Economics, Inc. reports that during the period from 2010 to 2021, total employment in the county grew at an average annual rate of 2.1%. Of the primary employment sectors, Total Services recorded the highest increase in number of employees during the period from 2019 to 2021, increasing by 28,729 people, or 16.4%, and rising from 42.8% to 43.6% of total employment. Of the various service sub-sectors, Health Care And Social Assistance and Accommodation And Food Services were the largest employers. Strong growth was also recorded in the Transportation And Warehousing sector, as well as the Total Trade sector, which expanded by 8.7% and 7.2%, respectively, in the period from 2019 to 2021. Forecasts developed by Woods & Poole Economics, Inc. anticipate that total employment in the county will change by 2.0% on average annually through 2026. The trend is above the forecast rate of change for the U.S. as a whole during the same period.

The following table illustrates historical and projected employment, households, population, and average household income data, as provided by REIS for the overall San Bernardino/Riverside market.

FIGURE 3-3 HISTORICAL & PROJECTED EMPLOYMENT, HOUSEHOLDS, POPULATION, AND HOUSEHOLD INCOME STATISTICS

Year	Total Employment	% Chg	Office Employment	% Chg	Industrial Employment	% Chg	Households	% Chg	Population	% Chg	Household Avg. Income	% Chg
2009	1,150,733	—	321,960	—	144,945	—	1,300,362	—	4,201,095	—	\$94,697	—
2010	1,152,033	0.1 %	323,029	0.3 %	145,682	0.5 %	1,311,061	0.8 %	4,272,496	1.7 %	98,723	4.3 %
2011	1,159,600	0.7	320,541	(0.8)	146,751	0.7	1,331,616	1.6	4,315,645	1.0	101,217	2.5
2012	1,199,067	3.4	324,037	1.1	152,611	4.0	1,347,777	1.2	4,351,553	0.8	106,560	5.3
2013	1,252,300	4.4	333,693	3.0	158,079	3.6	1,363,625	1.2	4,391,524	0.9	106,562	0.0
2014	1,316,067	5.1	350,780	5.1	165,042	4.4	1,377,397	1.0	4,438,247	1.1	112,056	5.2
2015	1,381,700	5.0	366,030	4.3	171,990	4.2	1,391,464	1.0	4,485,818	1.1	116,832	4.3
2016	1,417,133	2.6	365,778	(0.1)	173,190	0.7	1,408,866	1.3	4,539,281	1.2	121,301	3.8
2017	1,474,667	4.1	376,347	2.9	176,149	1.7	1,421,709	0.9	4,590,384	1.1	124,293	2.5
2018	1,519,733	3.1	384,702	2.2	180,724	2.6	1,436,409	1.0	4,632,564	0.9	128,789	3.6
2019	1,574,967	3.6	398,442	3.6	182,310	0.9	1,450,074	1.0	4,658,680	0.6	134,520	4.4
2020	1,488,633	(5.5)	369,228	(7.3)	166,646	(8.6)	1,457,683	0.5	4,692,429	0.7	147,966	10.0
2021	1,558,691	4.7	379,167	2.7	171,454	2.9	1,480,936	1.6	4,734,634	0.9	155,171	4.9
Forecasts												
2022	1,617,866	3.8 %	389,758	2.8 %	174,006	1.5 %	1,507,435	1.8 %	4,787,464	1.1 %	160,310	3.3 %
2023	1,650,821	2.0	395,671	1.5	174,323	0.2	1,532,630	1.7	4,835,798	1.0	166,054	3.6
2024	1,675,812	1.5	401,176	1.4	174,643	0.2	1,553,253	1.3	4,873,427	0.8	172,021	3.6
2025	1,693,661	1.1	405,845	1.2	174,555	(0.1)	1,571,916	1.2	4,907,159	0.7	177,688	3.3
2026	1,706,291	0.7	410,358	1.1	173,909	(0.4)	1,589,841	1.1	4,941,171	0.7	182,830	2.9
Average Annual Compound Change												
2009 - 2021		2.6 %		1.4 %		1.4 %		1.1 %		1.0 %		4.2 %
Forecast 2022 - 2026		1.3 %		1.3 %		(0.0) %		1.3 %		0.8 %		3.3 %

Source: REIS Report, 4th Quarter, 2021

For the San Bernardino/Riverside market, of the roughly 1,600,000 persons employed, 24% are categorized as office employees, while 11% are categorized as industrial employees. Total employment is expected to expand by 3.8% in 2022, while office employment is forecast to expand by 2.8% in 2022. By 2022, total employment is anticipated to rebound to 2019 levels.

The number of households is forecast to expand by 1.3% on average annually between 2022 and 2026. Population is forecast to expand during this same period, at an average annual compounded rate of 0.8%. Household average income is forecast to grow by 3.3% on average annually from 2022 through 2026.

Radial Demographic Snapshot

The following table reflects radial demographic trends for our market area measured by three points of distance from the subject site.

FIGURE 3-4 DEMOGRAPHICS BY RADIUS

	0.00 - 1.00 miles	0.00 - 3.00 miles	0.00 - 5.00 miles
Population			
2027 Projection	9,495	86,759	165,605
2022 Estimate	9,002	83,336	158,509
2010 Census	7,329	72,113	134,336
2000 Census	3,728	42,857	67,648
Percent Change: 2022 to 2027	5.5%	4.1%	4.5%
Percent Change: 2010 to 2022	22.8%	15.6%	18.0%
Percent Change: 2000 to 2010	96.6%	68.3%	98.6%
Households			
2027 Projection	3,136	27,045	50,820
2022 Estimate	2,998	26,169	49,057
2010 Census	2,519	23,382	43,135
2000 Census	1,132	13,996	22,126
Percent Change: 2022 to 2027	4.6%	3.4%	3.6%
Percent Change: 2010 to 2022	19.0%	11.9%	13.7%
Percent Change: 2000 to 2010	122.5%	67.1%	95.0%
Income			
2022 Est. Average Household Income	\$109,715	\$130,922	\$135,926
2022 Est. Median Household Income	82,732	102,910	107,362
2022 Est. Civ. Employed Pop 16+ by Occupation			
Architecture/Engineering	76	725	1,405
Arts/Design/Entertainment/Sports/Media	79	783	1,464
Building/Grounds Cleaning/Maintenance	76	697	1,747
Business/Financial Operations	191	1,954	3,891
Community/Social Services	68	760	1,268
Computer/Mathematical	104	825	1,727
Construction/Extraction	304	1,615	3,240
Education/Training/Library	366	2,836	4,979
Farming/Fishing/Forestry	10	79	121
Food Preparation/Serving Related	342	2,515	4,545
Healthcare Practitioner/Technician	180	2,490	4,722
Healthcare Support	198	1,557	2,482
Installation/Maintenance/Repair	144	1,344	2,448
Legal	54	307	515
Life/Physical/Social Science	7	355	593
Management	416	4,400	8,663
Office/Administrative Support	298	3,673	7,529
Production	42	1,699	3,462
Protective Services	136	1,243	2,501
Sales/Related	492	4,924	8,819
Personal Care/Service	384	1,975	3,224
Transportation/Material Moving	371	2,441	4,143

Source: Environics Analytics

Unemployment Statistics

This source reports a population of 158,509 and 49,057 households within a five-mile radius of the subject site. The average household income within this radius is reported at \$135,926, while the median is \$107,362.

The following table presents historical unemployment rates for the proposed subject hotel's market area.

FIGURE 3-5 UNEMPLOYMENT STATISTICS

Year	City	State	U.S.
2012	9.4 %	10.4 %	8.1 %
2013	8.0	8.9	7.4
2014	6.6	7.5	6.2
2015	5.4	6.2	5.3
2016	4.8	5.5	4.9
2017	4.1	4.8	4.4
2018	3.5	4.3	3.9
2019	3.3	4.0	3.7
2020	9.1	10.2	8.1
2021	5.8	7.3	5.4
<i>Recent Month - Feb</i>			
2021	6.8 %	8.9 %	6.2 %
2022	4.0	4.9	3.8

Source: U.S. Bureau of Labor Statistics

Prior to the pandemic, U.S. unemployment levels were firmly below the 4.6% level recorded in 2006 and 2007, the peak years of the economic cycle prior to the Great Recession. The unemployment rate for February 2020 was 3.5%. The unemployment rate had remained in the 3.5% to 3.7% range since April 2019, reflecting a trend of stability and strength of the U.S. economy. However, in April 2020, unemployment rose to 14.7%, and employment dropped by 20.7 million because of the COVID-19 pandemic. Steady declines in unemployment have been registered since April 2020; most recently, the national unemployment rate was 3.6% in April 2022. A roughly 428,000-person rise in employment was registered in both March and April of 2022. The most significant gains were reported in the leisure and hospitality, professional and business services, retail trade, and manufacturing industries.

Major Business and Industry

Locally, the unemployment rate was 5.8% in 2021; for this same area in 2022, the most recent month's unemployment rate was registered at 4.0%, versus 6.8% for the same month in 2021. As illustrated in the foregoing table, unemployment declined in 2013, and this positive trend generally continued through 2019. Economic development officials noted that local employment last decade was largely supported by the medical and tourism sectors, including healthy employment levels at major employers such as Abbott Laboratories and Temecula Valley Hospital. However, unemployment data from 2020 illustrate a sharp increase given the effects of the COVID-19 pandemic and related global economic crisis, which included massive furloughs/layoffs. Unemployment declined in 2021 as the economy began to rebound, and the most recent comparative period shows where the local market stands in 2022 relative to the same month of 2021, reflecting improvement given the strengthening economic conditions.

Providing additional context for understanding the nature of the regional economy, the following table presents a list of the major employers in the proposed subject property's market.

FIGURE 3-6 MAJOR EMPLOYERS

Rank	Firm	Number of Employees
1	Murrieta Valley Unified School District	2,315
2	Southwest Healthcare System	1,481
3	Loma Linda University Medical Center	1,037
4	County of Riverside	895
5	Target	341
6	Oak Grove Center	335
7	City of Murrieta	333
8	Walmart	320
9	Murrieta Health & Rehab Center	248
10	Sam's Club	212

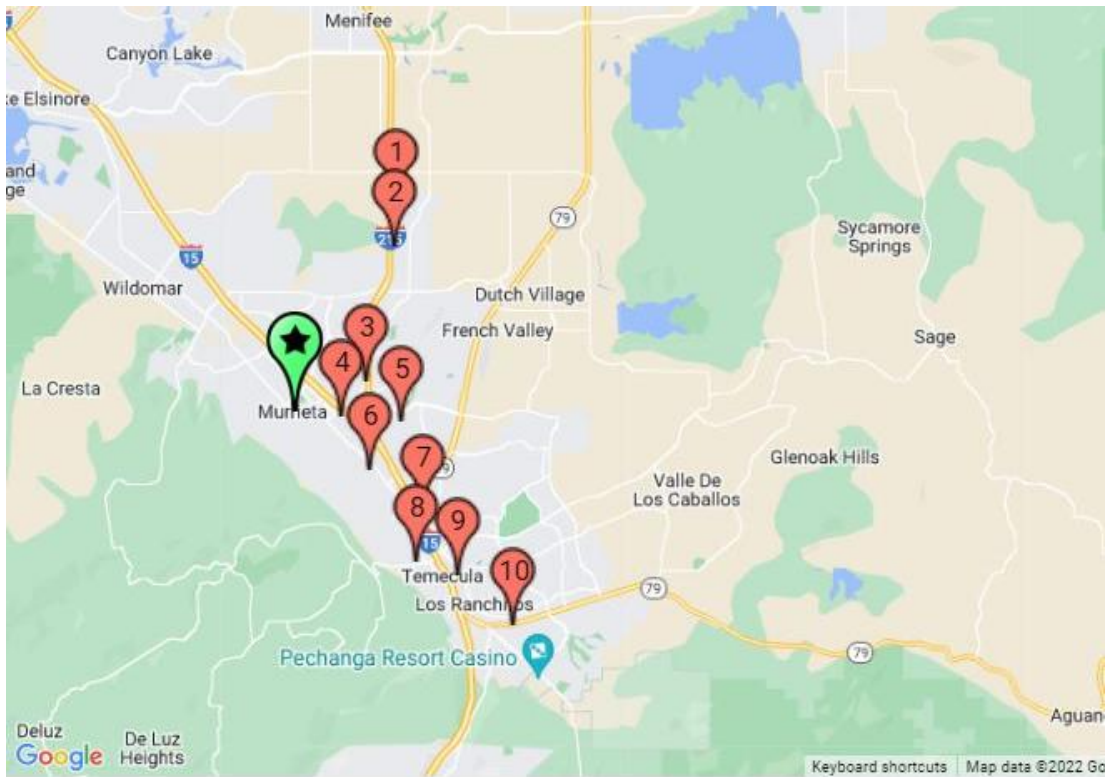
Source: City of Murrieta Annual Comprehensive Financial Report, 2021

The Temecula-Murrieta area is recognized for its residential growth, high quality of living, and overall affordability when compared with other regions of California. Most of the area's population commutes to work in other cities; however, commercial activity is expanding despite the impact of the COVID-19 pandemic, as the area's exposure and population continue to increase. As one of the largest

employers in the area, Abbot Vascular (a division of Abbott Laboratories) focuses on the design and development of cardiovascular medical products. EMD Millipore, a division of the chemical and pharmaceutical company Merck, employs nearly 400 people at its Temecula locations. Additionally, the area's healthcare industry is anchored by several major hospitals in Murrieta: Kaiser Permanente Medical Center, Loma Linda University Health - Murrieta, Rady Children's Medical Center, and Rancho Springs Medical Center. The City of Murrieta, spurred by government action, has focused on growing the medical and biomedical manufacturing sectors in recent years. Through the Murrieta Innovation Center, the local government supports ten medical technology-based businesses that may ultimately grow out of the space and into the local business community. Furthermore, in April 2021, Kaiser Permanente broke ground on an 88,900-square-foot ambulatory surgery center adjacent to the existing medical center. The surgery center is expected to bring approximately 200 jobs to Murrieta when completed by the end of 2022.

The Temecula-Murrieta area also benefits from its proximity to Marine Corps Base Camp Pendleton, the major West Coast base of the U.S. Marine Corps and one the largest military installations in the country. The 125,000-acre base hosts year-round trainings for the Marines and other branches of the military. According to market representatives, the Temecula-Murrieta area is home to a significant amount of government activity given its proximity to the base's north entrance. Lastly, tourism is typically a key economic driver, as the Temecula Valley Wine Country is home to nearly 70 vineyards that grow and produce over 50 varieties of wine; about 30 of the vineyards typically offer tours, tasting rooms, gift shops, and event space, attracting thousands of visitors each year. Although many employers in the market temporarily reduced staffing and/or suspended operations following the onset of the COVID-19 pandemic in March 2020, an economic recovery began in June 2021 when regulations began to be lifted; moreover, tourism rebounded rapidly during the summer of 2021. The return of international travel, increasing convention activity, and improving office-space occupancy should bolster the economic recovery going forward.

DEMAND GENERATORS MAP



	<u>Demand Generator</u>	<u>Approx. Time from Subject Property</u>	<u>Approx. Distance</u>
	Subject Property		
1	Kaiser Permanente	15 minutes	8.7 miles
2	Loma Linda University Health - Murrieta	15 minutes	6.4 miles
3	Rady Childrens Hospital	6 minutes	2.5 miles
4	Rancho Springs Medical Center	6 minutes	2.3 miles
5	Azusa Pacific University - Murrieta Regional Center	9 minutes	2.9 miles
6	Murrieta Innovation Center	6 minutes	3.1 miles
7	Abbott Vascular Inc	12 minutes	5.0 miles
8	EMD Millipore	12 minutes	7.0 miles
9	Old town Temecula	12 minutes	6.8 miles
10	Temecula Wineries	15 minutes	9.7 miles

Office Space Statistics

Trends in occupied office space are typically among the most reliable indicators of lodging demand, as firms that occupy office space often exhibit a strong propensity to attract commercial visitors. Thus, trends that cause changes in vacancy rates or occupied office space may have a proportional impact on commercial lodging demand and a less direct effect on meeting demand. The following table details office space statistics for the pertinent market area.

FIGURE 3-7 OFFICE SPACE STATISTICS – MARKET OVERVIEW

Submarket	Inventory		Occupied Office Space	Vacancy Rate	Average Asking Lease Rate
	Buildings	Square Feet			
1 Chino/Montclair/Upland	30	1,268,000	1,130,000	10.9 %	\$22.84
2 Colton/Redlands/San Bernardino	105	5,483,000	4,302,000	21.5	21.81
3 Corona/Riverside/Moreno Valley	124	5,909,000	5,010,000	15.2	24.85
4 Palm Springs/Palm Desert	65	1,154,000	949,000	17.8	22.04
5 Rancho Cucamonga/Ontario/Fontana	106	4,672,000	3,820,000	18.2	25.18
6 Temecula Valley/Murrieta	48	1,153,000	987,000	14.4	23.53
Totals and Averages	478	19,639,000	16,198,000	17.5 %	\$23.71

Source: REIS Report, 4th Quarter, 2021

The greater San Bernardino/Riverside market comprises a total of 19.6 million square feet of office space. For the 4th Quarter of 2021, the market reported a vacancy rate of 17.5% and an average asking rent of \$23.71. The subject property is located in the Temecula Valley/Murrieta submarket, which houses 1,153,000 square feet of office space. The submarket's vacancy rate of 14.4% is below the overall market average. The average asking lease rate of \$23.53 is on par with the average for the broader market.

The following table illustrates a trend of office space statistics for the overall San Bernardino/Riverside market and the Temecula Valley/Murrieta submarket.

FIGURE 3-8 HISTORICAL AND PROJECTED OFFICE SPACE STATISTICS – GREATER MARKET VS. SUBMARKET

Year	San Bernardino/Riverside Market							Temecula Valley/Murrieta Submarket						
	Available Office Space	% Chg	Occupied Office Space	% Chg	Vacancy Rate	Asking Lease Rate	% Chg	Available Office Space	% Chg	Occupied Office Space	% Chg	Vacancy Rate	Asking Lease Rate	% Chg
2009	19,972,000	—	14,920,000	—	25.3 %	\$21.97	—	1,105,000	—	817,000	—	26.1 %	\$21.85	—
2010	19,944,000	(0.1) %	15,182,000	1.8 %	23.9	21.36	(2.8) %	1,105,000	0.0 %	854,000	4.5 %	22.7	21.37	(2.2) %
2011	19,781,000	(0.8)	15,190,000	0.1	23.2	21.33	(0.1)	1,105,000	0.0	857,000	0.4	22.4	20.85	(2.4)
2012	19,713,000	(0.3)	15,320,000	0.9	22.3	21.28	(0.2)	1,105,000	0.0	869,000	1.4	21.4	20.43	(2.0)
2013	19,713,000	0.0	15,522,000	1.3	21.3	21.24	(0.2)	1,105,000	0.0	876,000	0.8	20.7	20.43	0.0
2014	19,607,000	(0.5)	15,456,000	(0.4)	21.2	21.54	1.4	1,153,000	4.3	921,000	5.1	20.1	21.35	4.5
2015	19,640,000	0.2	15,746,000	1.9	19.8	21.89	1.6	1,153,000	0.0	949,000	3.0	17.7	21.96	2.9
2016	19,411,000	(1.2)	16,050,000	1.9	17.3	22.02	0.6	1,153,000	0.0	971,000	2.3	15.8	22.38	1.9
2017	19,441,000	0.2	16,143,000	0.6	17.0	22.51	2.2	1,153,000	0.0	987,000	1.6	14.4	23.33	4.2
2018	19,441,000	0.0	16,180,000	0.2	16.8	22.93	1.9	1,153,000	0.0	1,015,000	2.8	12.0	23.83	2.1
2019	19,461,000	0.1	16,240,000	0.4	16.6	23.23	1.3	1,153,000	0.0	1,009,000	(0.6)	12.5	23.91	0.3
2020	19,608,000	0.8	16,133,000	(0.7)	17.7	23.45	0.9	1,153,000	0.0	997,000	(1.2)	13.5	23.55	(1.5)
2021	19,639,000	0.2	16,198,000	0.4	17.5	23.71	1.1	1,153,000	0.0	987,000	(1.0)	14.4	23.53	(0.1)
Forecasts														
2022	19,639,000	0.0 %	16,130,000	(0.4) %	17.9 %	23.73	0.1 %	1,153,000	0.0 %	1,007,000	2.0 %	12.6 %	23.70	0.7 %
2023	19,724,000	0.4	16,184,000	0.3	18.0	24.00	1.1	1,163,000	0.9	1,026,000	1.9	11.8	24.43	3.1
2024	19,925,000	1.0	16,366,000	1.1	17.9	24.30	1.3	1,173,000	0.9	1,046,000	1.9	10.8	25.28	3.5
2025	20,158,000	1.2	16,593,000	1.4	17.7	24.62	1.3	1,183,000	0.9	1,064,000	1.7	10.0	26.27	3.9
2026	20,330,000	0.9	16,763,000	1.0	17.5	24.96	1.4	1,193,000	0.8	1,083,000	1.8	9.2	27.33	4.0
Average Annual Compound Change														
2009 - 2021		(0.1) %		0.7 %			0.6 %		0.4 %		1.6 %			0.6 %
Forecast 2022 - 2026		0.9 %		1.0 %			1.3 %		0.9 %		1.8 %			3.6 %

Source: REIS Report, 4th Quarter, 2021

The level of occupied office space is forecast to initially increase in this San Bernardino/Riverside market, to roughly 1,000,000 square feet in 2022. Occupied office space recovers to 1,000,000 by 2026. According to REIS, the Temecula/Murrieta office submarket is one of the strongest office markets in the greater San Bernardino and Riverside counties market. This submarket is supported by several major office users, including Abbott Laboratories, Infineon Technologies, and Millipore Sigma. Per REIS, as a result of the ongoing COVID-19 pandemic, vacancy rates increased in 2020 and 2021, and asking lease rates declined those years; however, vacancy rates are expected to drop in 2022 as restrictions related to COVID-19 continue to be lifted and businesses return to offices. Accordingly, asking lease rates are expected to recover and surpass 2019 levels by 2023.

Airport Traffic

Airport passenger counts are important indicators of lodging demand. Depending on the type of service provided by a particular airfield, a sizable percentage of arriving passengers may require hotel accommodations. Trends showing changes in passenger counts also reflect local business activity and the overall economic health of the area.

John Wayne Airport (SNA) is located in Orange County, California, between the cities of Santa Ana, Newport Beach, Costa Mesa, and Irvine. The airport serves both general and commercial aviation needs for the area. SNA is serviced by a variety of major commercial and commuter airlines. The airport features one main terminal that is divided into two concourses. A separate terminal provides services and facilities for the general aviation needs of the airport. The Airport Improvement Program, one of Orange County's largest-ever public works projects, began in 2008 and was completed in early 2011; projects included adding a third terminal, approximately 2,000 parking spaces, and additional concessions and amenities for passengers. In addition, a new \$8.8-million, in-line baggage-handling system opened at Terminal C in late 2011, enhancing airport security while streamlining the ticketing and boarding process for passengers. A new cell-phone waiting lot with 18 designated spaces was completed in September 2015. A renovation of Riley Terminals A and B was completed in late 2018 and included upgrades to the roof, carpeting, and lighting, along with the addition of a nursing-mothers' room and ADA improvements.

The following table illustrates recent operating statistics for the John Wayne Airport, which is the primary airport facility serving the proposed subject hotel's submarket.

FIGURE 3-9 AIRPORT STATISTICS - JOHN WAYNE AIRPORT

Year	Passenger Traffic	Percent Change*	Percent Change**
2012	8,857,944	—	—
2013	9,232,789	4.2 %	4.2 %
2014	9,386,033	1.7	2.9
2015	10,038,466	7.0	4.3
2016	10,496,511	4.6	4.3
2017	10,423,578	(0.7)	3.3
2018	10,664,038	2.3	3.1
2019	10,656,986	(0.1)	2.7
2020	3,794,850	(64.4)	(10.1)
2021	7,700,489	102.9	(1.5)
<i>Year-to-date, Mar</i>			
2021	808,088	—	—
2022	2,264,569	180.2 %	—

*Annual average compounded percentage change from the previous year

**Annual average compounded percentage change from first year of data

Source: John Wayne Airport

This facility recorded 7,700,489 passengers in 2021. The change in passenger traffic between 2020 and 2021 was 102.9%. The average annual change during the period shown was -1.5%. Passenger traffic remained strong prior to the pandemic; however, data for 2020 illustrate a decline given the impact of the COVID-19 pandemic and the travel restrictions that were implemented. The year-end 2021 data show that passenger traffic significantly increased from 2020 levels. Moreover, on November 8, 2021, travel restrictions were lifted for fully vaccinated international visitors to the United States. The upward trend has continued thus far in 2022, per the latest statistics. Passenger volume should continue to recover and improve now that most travel restrictions have been rescinded and economic activity has begun to rebound.

Tourist Attractions

The subject market benefits from a variety of tourism and leisure attractions in the area. Leisure demand generators include wineries in Temecula, Old Town Temecula, and Pechanga Resort & Casino (developed by the Pechanga Band of Luiseño Indians). In March 2018, Pechanga Resort & Casino's \$285-million expansion project opened. The expansion includes a 568-room hotel wing, a two-story spa, and a 67,000-square-foot event center. Special events in the area typically play a role during key weekends, such as the Temecula Valley Balloon & Wine

Festival and Temecula Valley International Film Festival. We note that many of the tourist attractions and entertainment venues temporarily closed or enacted visitor restrictions because of the COVID-19 pandemic. However, as of the date of this report, area attractions are open; moreover, events are scheduled for 2022.

TEMECULA WINE COUNTRY



Conclusion

This section discussed a wide variety of economic indicators for the pertinent market area. Prior to the onset of the COVID-19 pandemic and the corresponding economic crisis, Temecula was experiencing a period of economic strength and expansion, primarily led by the tech, manufacturing, and retail industries. Our market interviews and research revealed that among these industries, tourism was the most affected by the pandemic, while the remaining industries have remained strong overall. However, the COVID-19 pandemic continues to affect the local market, resulting in decreased business activity, inclusive of the hospitality industry. Nevertheless, as of May 2022, the majority of restrictions related to containing the spread of COVID-19 have been rescinded as the pandemic situation continues to improve; thus, while the near-term outlook for the market is best described as one of caution at this time, the long-term outlook is more optimistic.

4. Supply and Demand Analysis

In the lodging industry, price varies directly, but not proportionately, with demand and inversely, but not proportionately, with supply. Supply is measured by the number of guestrooms available, and demand is measured by the number of rooms occupied; the net effect of supply and demand toward equilibrium results in a prevailing price, or average daily rate (ADR). The purpose of this section is to investigate current supply and demand trends, as indicated by the current competitive market, and to set forth a basis for the projection of future supply and demand growth.

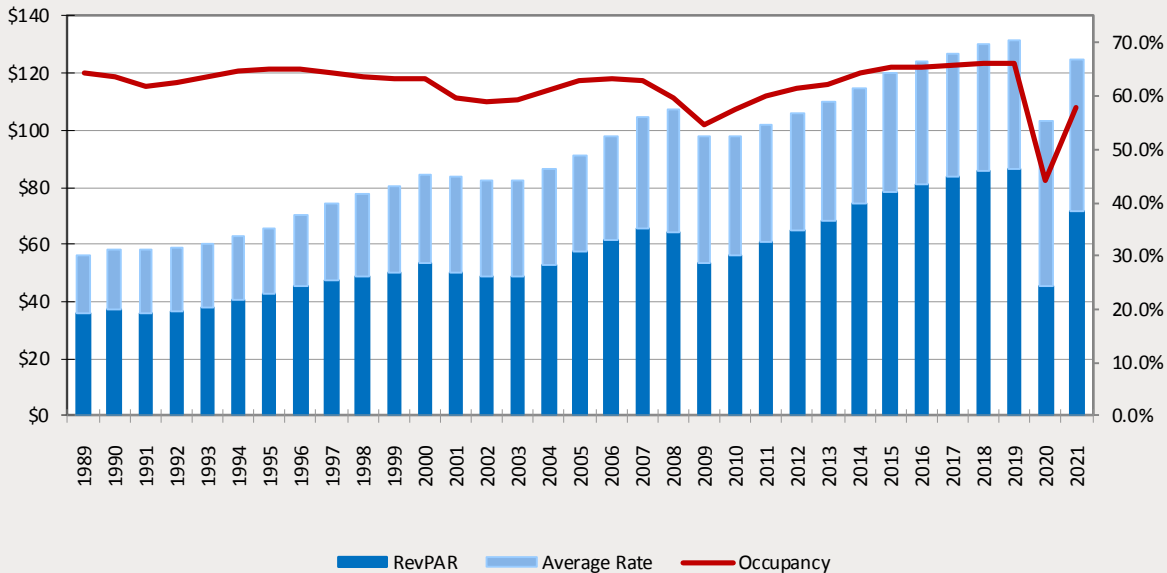
Definition of Subject Hotel Market

The three sites under consideration for this study are located in the greater Temecula-Murrieta lodging market. Within this greater market, the proposed subject hotel is expected to compete with a smaller set of hotels based on various factors, such as product offering, location, and price.

National Trends Overview

A hotel's local lodging market is most directly affected by the supply and demand trends within the immediate area. However, individual markets are also influenced by conditions in the national lodging market. We have reviewed national lodging trends to provide a context for the forecast of the supply and demand for the proposed subject hotel's competitive set.

STR is an independent research firm that compiles data on the lodging industry, and this information is routinely used by typical hotel buyers. The following STR diagram presents annual hotel occupancy, average daily rate (ADR), and rooms revenue per available room (RevPAR) data since 1989. RevPAR is calculated by multiplying occupancy by average rate and provides an indication of how well rooms revenue is being maximized.

FIGURE 4-1 NATIONAL OCCUPANCY, AVERAGE RATE, AND REVPAR TRENDS

Source: STR

The preceding chart illustrates the impact of the recessions of the early 1990s, 2000s, the financial crisis of 2008/09, and the recent pandemic on the U.S. lodging industry. In each case, the downturn caused lodging demand to drop, resulting in an occupancy decline. The aggregate average rate (ADR) also fell, as hoteliers used price as a marketing tool to attract demand and support occupancy levels. As occupancy recovered, ADR growth resumed, although the ADR recovery lagged somewhat behind occupancy levels, as price discounts contributed to the initial recovery of demand. Following the financial crisis of the Great Recession, occupancy fell by over eight points, and ADR declined by 5.9%, resulting in an 18.3% decrease in RevPAR. The market recovered steadily thereafter, with occupancy surpassing the 65.0% mark in 2015, and average rates also consistently growing, albeit at a decelerating pace.

FIGURE 4-2 NATIONAL OCCUPANCY AND ADR TRENDS: 2019, 2020, 2021

	Occupancy					Average Rate					RevPAR					Percent Change	
	2019	2020	% Change	2021	% Change	2019	2020	% Change	2021	% Change	2019	2020	% Change	2021	% Change	Rms. Avail.	Rms. Sold
United States	66.0 %	44.0 %	(33.3) %	57.7 %	31.1 %	\$131.23	\$103.25	(21.3) %	\$124.68	20.7 %	\$86.64	\$45.48	(47.5) %	\$71.88	58.2 %	5.2 %	37.8 %
Region																	
New England	64.7 %	38.8 %	(40.1) %	55.7 %	44.4 %	\$161.08	\$123.17	(23.5) %	\$156.04	25.8 %	\$104.25	\$47.77	(54.2) %	\$86.93	81.6 %	5.6 %	52.5 %
Middle Atlantic	69.0	41.3	(40.1)	55.4	34.1	166.27	115.26	(30.7)	143.60	24.1	114.81	47.65	(58.5)	79.52	66.4	4.8	40.6
South Atlantic	67.5	45.7	(32.2)	59.9	31.2	128.41	107.99	(15.9)	130.29	20.7	86.68	49.40	(43.0)	78.08	58.3	6.2	39.3
E. North Central	61.1	39.1	(36.0)	52.4	34.2	112.64	86.72	(23.0)	105.15	20.6	68.82	33.93	(50.7)	55.11	61.9	4.5	40.2
E. South Central	62.4	45.7	(26.8)	59.5	30.6	103.58	85.74	(17.2)	104.49	21.8	64.61	39.18	(39.4)	62.21	59.0	3.1	34.6
W. North Central	58.3	39.1	(32.9)	51.1	31.1	99.28	83.65	(15.7)	97.01	15.7	57.88	32.72	(43.5)	49.58	51.7	2.4	34.3
W. South Central	62.6	44.9	(28.2)	58.2	29.7	101.84	82.88	(18.6)	95.84	15.8	63.77	37.25	(41.6)	55.73	50.1	3.4	34.0
Mountain	66.9	46.7	(30.1)	59.6	28.2	121.89	105.70	(13.3)	124.82	18.5	81.54	49.39	(39.4)	74.44	51.9	6.3	36.3
Pacific	73.6	47.1	(36.0)	60.3	27.6	171.40	129.57	(24.4)	157.57	22.1	126.16	61.01	(51.6)	94.97	55.8	7.2	36.8
Class																	
Luxury	70.9 %	36.8 %	(48.1) %	52.3 %	42.0 %	\$304.11	\$285.78	(6.0) %	\$342.63	19.7 %	\$215.73	\$105.29	(51.2) %	\$179.24	70.0 %	18.3 %	68.0 %
Upper-Upscale	72.6	34.8	(52.1)	49.8	43.4	188.24	159.14	(15.5)	179.35	12.6	136.67	55.30	(59.5)	89.39	61.5	13.3	62.5
Upscale	71.5	42.8	(40.1)	59.3	38.8	143.60	117.80	(18.0)	133.72	13.4	102.68	50.45	(50.9)	79.35	57.4	7.1	48.6
Upper-Midscale	67.5	45.3	(32.9)	61.1	35.1	115.91	98.80	(14.8)	114.82	16.1	78.20	44.72	(42.8)	70.20	56.8	4.2	40.7
Midscale	59.5	44.4	(25.4)	57.0	28.8	95.82	84.47	(11.8)	99.25	17.9	57.03	37.52	(34.2)	56.59	51.8	2.5	32.0
Economy	59.4	49.2	(17.1)	58.8	20.0	75.50	65.45	(13.3)	77.94	18.1	44.83	32.30	(28.2)	45.83	41.8	0.0	20.0
Location																	
Urban	73.2 %	37.9 %	(48.2) %	51.8 %	35.9 %	\$183.20	\$127.80	(30.2) %	\$153.22	20.2 %	\$134.12	\$48.47	(63.9) %	\$79.30	63.3 %	9.9 %	49.4 %
Suburban	66.7	46.4	(30.4)	60.0	29.3	111.26	88.81	(20.2)	104.76	17.9	74.24	41.24	(44.4)	62.88	52.5	3.5	33.9
Airport	73.7	44.5	(39.6)	60.5	35.8	119.22	93.71	(21.4)	104.53	11.4	87.85	41.72	(52.5)	63.20	51.3	2.8	39.5
Interstate	57.9	44.8	(22.7)	57.8	29.5	87.86	79.05	(10.0)	92.05	16.6	50.85	35.39	(30.4)	53.22	50.9	2.0	32.1
Resort	70.0	42.9	(38.6)	57.9	35.4	182.74	170.36	(6.8)	208.73	22.4	127.85	73.13	(42.8)	120.93	65.7	14.3	54.7
Small Town	57.8	44.4	(23.1)	57.0	28.9	107.26	96.95	(9.6)	116.63	20.0	61.98	43.07	(30.5)	66.43	54.8	2.0	31.6
Chain Scale																	
Luxury	73.8 %	32.0 %	(56.7) %	47.8 %	49.7 %	\$343.02	\$329.54	(3.9) %	\$383.64	16.1 %	\$253.17	\$105.40	(58.4) %	\$183.44	73.8 %	23.2 %	84.3 %
Upper-Upscale	73.9	33.4	(54.8)	48.7	45.6	189.25	158.86	(16.1)	175.87	10.8	139.80	53.10	(62.0)	85.69	61.3	14.7	67.0
Upscale	72.6	43.0	(40.7)	59.7	38.9	142.38	115.11	(19.2)	128.58	11.7	103.32	49.52	(52.1)	76.75	55.1	6.8	48.4
Upper-Midscale	67.5	45.4	(32.7)	61.6	35.9	112.80	96.04	(14.9)	111.18	15.8	76.14	43.61	(42.7)	68.53	57.3	4.2	41.6
Midscale	58.1	44.2	(23.8)	56.6	28.1	86.61	77.29	(10.8)	89.42	15.7	50.30	34.19	(32.0)	50.61	48.2	1.5	30.1
Economy	58.7	50.9	(13.2)	59.7	17.6	63.70	58.21	(8.6)	66.80	14.8	37.36	29.64	(20.7)	39.89	35.0	(1.3)	16.0
Independents	63.5	44.8	(29.5)	57.2	28.2	133.08	110.74	(16.8)	137.78	24.8	84.44	49.56	(41.3)	78.87	60.0	4.6	34.1

Source: STR - December 2020 and December 2021 Lodging Reviews

The onset of the COVID-19 pandemic in March 2020 had a severe impact on the lodging industry, causing occupancy, ADR, and RevPAR to decline by unprecedented levels. The impact on the national lodging industry peaked mid-April; for the week ending April 11, 2020, STR reported that national RevPAR was 83.6% lower than the level recorded for the same week in 2019. By the conclusion of 2020, occupancy had declined 22 points, with ADR decreasing by roughly \$28.00, resulting in a RevPAR loss of 48.0% (rounded). The sharp downturn in travel caused by COVID-19 continued into early 2021, as the months of January and February 2020 were not notably affected by the pandemic.

Since the 2020 onset of the pandemic, hotels that derive a significant component of their demand from the larger group and convention segment have been hit the hardest, followed by properties in markets with a high proportion of business and international travel. For this reason, the major metropolitan areas reported deep RevPAR declines through the first half of 2021. Hotels in locations that depend primarily on automobile traffic have fared better (including drive-to leisure destinations), and the extended-stay category has also outperformed the national average, fueling the illustrated 2021 recovery. Gaining traction in the summer of 2021, group demand showed signs of recovery, albeit at a slower pace. Accordingly, by the end of 2021, nationwide occupancy had rebounded to nearly 58.0%, with ADR reaching roughly \$125, representing a RevPAR gain of 58.0% (rounded).

Vaccine boosters are now widely available, and although COVID cases related to the Omicron variant increased in December 2021 and January 2022, the most recent infections are reportedly diminishing in severity. More corporations and institutions are beginning to return to office spaces, at least in some capacity. Furthermore, group travel is expected to recover as participants feel increasingly comfortable gathering in larger numbers. Accordingly, hotel owners, operators, and investors generally anticipate the hospitality sector to recover at an accelerating pace, as vaccines, medical therapies, and public confidence support a return of travel. The overall economic upswing is expected to continue through 2022, with national RevPAR anticipated to exceed the level achieved in 2019 by the end of this year.

FIGURE 4-3 RECENT NATIONAL OCCUPANCY AND ADR TRENDS

	Occupancy - YTD March			Average Rate - YTD March			RevPAR - YTD March			Percent Change	
	2021	2022	% Change	2021	2022	% Change	2021	2022	% Change	Rms. Avail.	Rms. Sold
United States	46.2 %	56.2 %	21.6 %	\$99.73	\$137.13	37.5 %	\$46.07	\$77.06	67.2 %	4.0 %	26.4 %
Region											
New England	38.4 %	51.3 %	33.5 %	\$100.00	\$136.61	36.6 %	\$38.41	\$70.08	82.4 %	4.7 %	39.8 %
Middle Atlantic	39.8	49.6	24.5	102.00	138.20	35.5	40.61	68.52	68.7	9.7	36.6
South Atlantic	51.3	61.3	19.3	114.10	154.63	35.5	58.58	94.73	61.7	4.0	24.1
E. North Central	38.7	47.4	22.5	81.64	103.99	27.4	31.58	49.27	56.0	4.4	27.9
E. South Central	48.4	56.1	16.0	82.86	106.59	28.6	40.09	59.81	49.2	2.3	18.7
W. North Central	38.0	45.7	20.2	80.51	97.62	21.3	30.62	44.61	45.7	1.0	21.4
W. South Central	50.8	58.4	14.8	80.28	107.14	33.5	40.82	62.54	53.2	1.8	16.9
Mountain	48.2	59.7	23.7	106.18	149.44	40.7	51.21	89.17	74.1	2.0	26.1
Pacific	46.4	60.4	30.3	115.63	172.64	49.3	53.64	104.32	94.5	5.9	37.9
Class											
Luxury	36.2 %	54.3 %	49.9 %	\$297.15	\$375.86	26.5 %	\$107.64	\$204.10	89.6 %	10.5 %	65.7 %
Upper-Upscale	34.5	53.2	54.0	142.55	196.53	37.9	49.25	104.59	112.4	11.4	71.5
Upscale	47.2	59.6	26.4	107.14	143.06	33.5	50.55	85.33	68.8	5.5	33.4
Upper-Midscale	49.7	59.0	18.7	92.67	118.79	28.2	46.06	70.09	52.2	3.4	22.7
Midscale	45.9	53.1	15.6	80.83	99.86	23.5	37.11	53.02	42.9	0.6	16.4
Economy	50.8	54.5	7.4	63.62	77.11	21.2	32.31	42.06	30.2	(0.6)	6.8
Location											
Urban	38.3 %	52.5 %	37.0 %	\$111.21	\$165.73	49.0 %	\$42.60	\$86.97	104.2 %	12.3 %	53.9 %
Suburban	49.6	58.3	17.5	83.94	112.57	34.1	41.65	65.66	57.6	2.2	20.1
Airport	49.2	63.4	28.8	86.40	119.93	38.8	42.53	76.05	78.8	2.1	31.5
Interstate	46.8	53.0	13.4	78.18	92.92	18.9	36.58	49.29	34.8	1.1	14.6
Resort	44.4	61.7	38.9	184.42	250.38	35.8	81.85	154.38	88.6	6.8	48.4
Small Town	45.8	51.4	12.2	93.39	112.81	20.8	42.77	57.95	35.5	1.1	13.5
Chain Scale											
Luxury	30.8 %	54.0 %	75.5 %	\$375.84	\$454.65	21.0 %	\$115.66	\$245.52	112.3 %	13.8 %	99.6 %
Upper-Upscale	32.7	53.2	62.6	142.67	199.36	39.7	46.67	106.04	127.2	12.4	82.7
Upscale	47.7	60.3	26.5	104.35	139.93	34.1	49.73	84.39	69.7	5.8	33.9
Upper-Midscale	50.1	59.4	18.6	90.78	115.58	27.3	45.50	68.70	51.0	3.9	23.3
Midscale	45.7	52.3	14.3	74.82	90.40	20.8	34.21	47.27	38.2	0.2	14.5
Economy	52.4	55.5	5.9	57.62	67.61	17.3	30.18	37.52	24.3	(2.2)	3.6
Independents	45.9	54.2	18.1	109.54	146.82	34.0	50.30	79.64	58.3	3.1	21.8

Source: STR - March 2022 Lodging Review

To further understand the nature and degree of the impact of the pandemic thus far, we have reviewed the following weekly data for the U.S. lodging industry, as published by STR. The data reflect that nationwide occupancy is still lagging the 2019 levels, due primarily to group demand being significantly lower than pre-

pandemic levels; moreover, the Omicron variant caused some pullback in business and group travel in early January 2022. However, demand and occupancy rebounded shortly thereafter, with ADR levels now in the \$140 to \$150 range as of April 2022. Accordingly, ADR has essentially fully recovered and is expected to move well beyond the 2019 level as 2022 progresses, due in large part to higher-rated leisure demand.

FIGURE 4-4 NATIONAL OCCUPANCY TRENDS – WEEKLY DATA

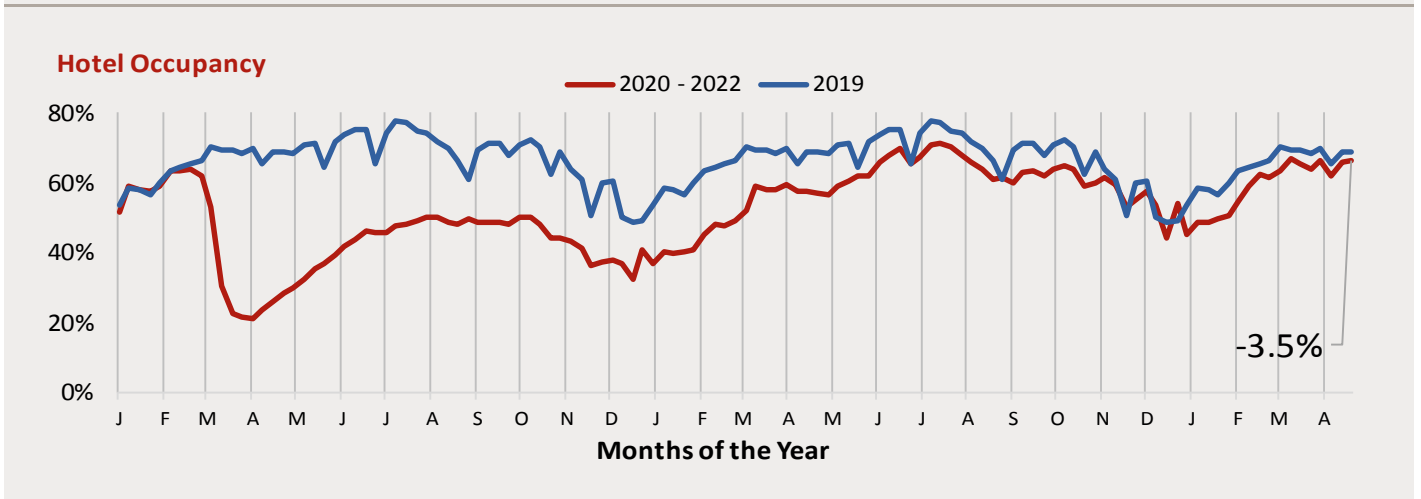


FIGURE 4-5 NATIONAL ADR TRENDS – WEEKLY DATA

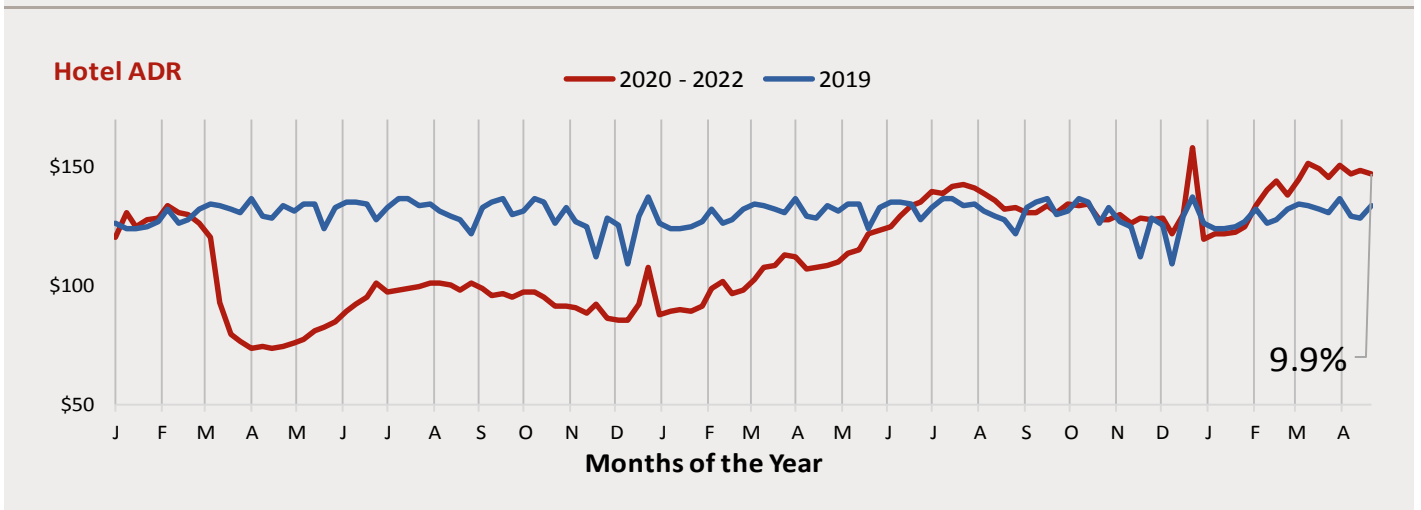
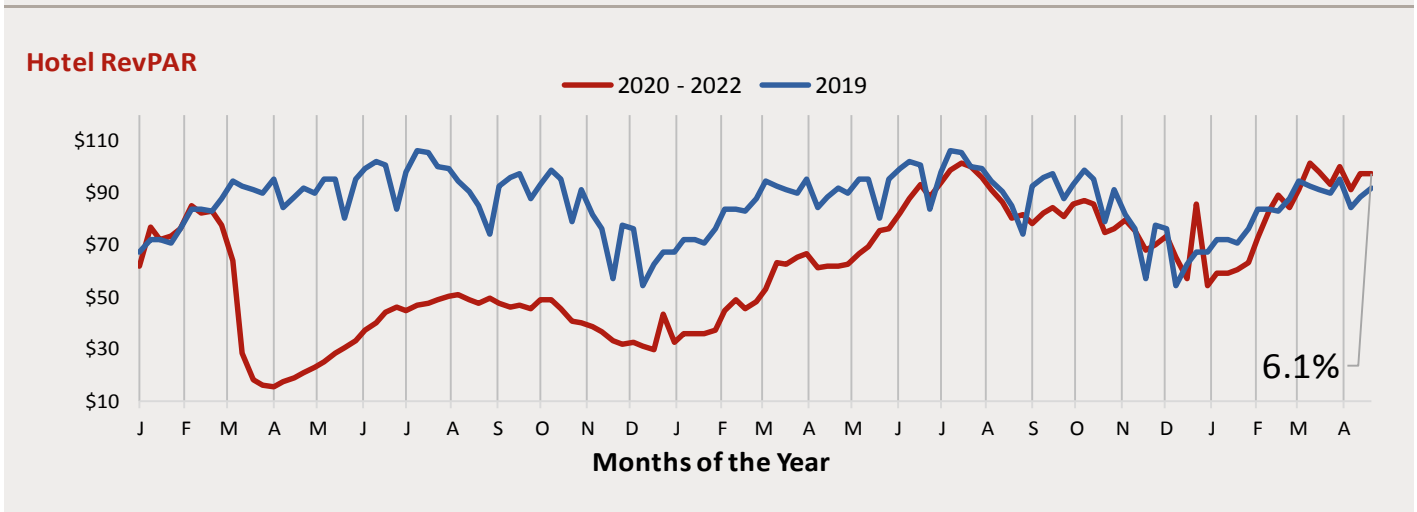


FIGURE 4-6 NATIONAL REVPAR TRENDS – WEEKLY DATA

Historical Supply and Demand Data

STR is an independent research firm that compiles and publishes data on the lodging industry, routinely used by typical hotel buyers. HVS has ordered and analyzed an STR Trend Report of historical supply and demand data for a group of hotels considered applicable to this analysis for the proposed subject hotel. This information is presented in the following table, along with the market-wide occupancy, average rate, and rooms revenue per available room (RevPAR). RevPAR is calculated by multiplying occupancy by average rate and provides an indication of how well rooms revenue is being maximized.

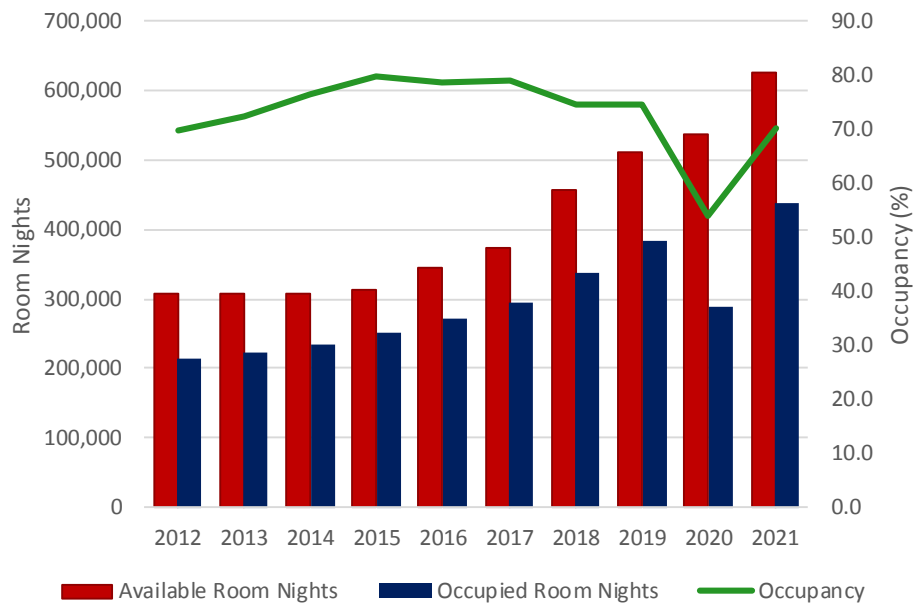
In response to the travel restrictions and the decline in demand associated with the COVID-19 pandemic, numerous hotels in markets across the nation temporarily suspended operations. During these suspensions, hotels were typically closed to the public, with the majority of staff furloughed; however, key management and maintenance staff were retained to preserve the property and prepare for reopening. Four hotels in the competitive subject market suspended operations because of the COVID-19 pandemic; however, all have since reopened. Our analysis considers the full supply of competitive rooms, including any hotels that may have temporarily suspended operations. We note that the STR data and our analysis reflect the competitive market's adjusted occupancy upon the suspension of operations and/or the reopening of select competitive hotels within this set.

FIGURE 4-7 HISTORICAL SUPPLY AND DEMAND TRENDS

Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Change	Occupancy	Average Rate	Change	RevPAR	Change
2009	755	275,498	—	160,851	—	58.4 %	\$115.83	—	\$67.63	—
2010	844	308,060	11.8 %	188,735	17.3 %	61.3	109.31	(5.6) %	66.97	(1.0) %
2011	844	308,060	0.0	208,636	10.5	67.7	110.62	1.2	74.92	11.9
2012	844	307,907	(0.0)	215,038	3.1	69.8	114.47	3.5	79.95	6.7
2013	843	307,695	(0.1)	222,926	3.7	72.5	116.63	1.9	84.50	5.7
2014	843	307,695	0.0	235,167	5.5	76.4	121.66	4.3	92.98	10.0
2015	860	313,856	2.0	250,190	6.4	79.7	126.98	4.4	101.22	8.9
2016	944	344,560	9.8	271,167	8.4	78.7	132.26	4.2	104.09	2.8
2017	1,022	373,162	8.3	295,048	8.8	79.1	135.58	2.5	107.20	3.0
2018	1,248	455,471	22.1	338,828	14.8	74.4	130.27	(3.9)	96.91	(9.6)
2019	1,401	511,190	12.2	381,927	12.7	74.7	130.71	0.3	97.66	0.8
2020	1,468	535,708	4.8	288,115	(24.6)	53.8	115.18	(11.9)	61.95	(36.6)
2021	1,718	627,143	17.1	438,808	52.3	70.0	148.95	29.3	104.22	68.2
Year-to-Date Through March										
2021	1,658	149,194	—	92,472	—	62.0 %	\$114.51	—	\$70.97	—
2022	1,773	159,554	6.9 %	96,667	4.5 %	60.6	153.82	34.3 %	93.19	31.3 %
Average Annual Compounded Change:										
2009 – 2019			6.4 %	9.0 %			1.2 %			3.7 %
2009 – 2020			6.2	5.4			(0.1)			(0.8)

Hotels Included in Sample	Class	Competitive Status	Number of Rooms	Year Affiliated	Year Opened
Residence Inn Temecula Murrieta	Upscale Class	Secondary	101	Nov 2015	Nov 2015
Holiday Inn Express & Suites Murrieta - Temecula	Upper Midscale Class	Primary	105	Dec 2019	Dec 2019
Comfort Inn & Suites Murrieta Temecula Wine Country	Upper Midscale Class	Primary	66	Sep 2003	Sep 2003
Courtyard Temecula Murrieta	Upscale Class	Primary	183	Jun 2020	Dec 2017
Hampton by Hilton Inn & Suites Murrieta Temecula	Upper Midscale Class	Primary	106	Jun 2017	Jun 2017
Fairfield Inn & Suites Menifee	Upper Midscale Class	Secondary	99	Oct 2020	Oct 2020
Best Western Plus Temecula Wine Country Hotel & Suites	Upper Midscale Class	Secondary	60	Oct 2018	Oct 2018
Home2 Suites by Hilton Temecula	Upper Midscale Class	Secondary	120	Mar 2019	Mar 2019
Hilton Garden Inn Temecula	Upscale Class	Secondary	104	Mar 2022	Mar 2022
SpringHill Suites Temecula Valley Wine Country	Upscale Class	Secondary	134	May 2020	Sep 2009
La Quinta Inns & Suites Temecula	Upper Midscale Class	Secondary	56	Mar 2008	Mar 2008
Fairfield Inn & Suites Temecula	Upper Midscale Class	Secondary	94	Mar 2007	Mar 2007
Hampton by Hilton Inn & Suites Temecula	Upper Midscale Class	Secondary	98	Jun 2004	Jun 2004
Holiday Inn Express Temecula	Upper Midscale Class	Secondary	90	Jun 2003	Jun 1999
Staybridge Suites Temecula - Wine Country	Upscale Class	Secondary	124	Mar 2021	Mar 2021
Embassy Suites by Hilton Temecula Valley Wine Country	Upper Upscale Class	Secondary	176	Jul 1993	Jun 1990
Temecula Creek Inn	Luxury Class	Secondary	125	Jul 2020	Jun 1969
Total			2,710		

Source: STR

FIGURE 4-8 HISTORICAL SUPPLY AND DEMAND TRENDS (STR)

It is important to note some limitations of the STR data. Hotels are occasionally added to or removed from the sample; furthermore, not every property reports data in a consistent and timely manner. These factors can influence the overall quality of the information by skewing the results, and these inconsistencies may also cause the STR data to differ from the results of our competitive survey. Nonetheless, STR data provide the best indication of aggregate growth or decline in existing supply and demand; thus, these trends have been considered in our analysis. Opening dates, as available, are presented for each reporting hotel in the previous table.

The STR data for the competitive set reflect a market-wide occupancy level of 2021 in 70.0%, which compares to 53.8% for 2020. The STR data for the competitive set reflect a market-wide ADR level of \$148.95 in 2021, which compares to \$115.18 for 2020. These occupancy and ADR trends resulted in a RevPAR level of \$104.22 in 2021.

Prior to 2020, both occupancy and ADR generally followed a strengthening trend, with RevPAR increasing year-over-year from 2010 through 2017 despite new supply from 2015 through 2017. This improvement in market conditions was driven largely by the heightened popularity of Temecula's wine region following the recession, with local wineries and resorts attracting wedding groups and leisure travelers. Area festivals, such as the Temecula Valley Balloon & Wine Festival and

the Temecula Art & Street Painting Festival, also continued to gain exposure. Furthermore, the Temecula Valley was becoming a more affordable weekend getaway for regional residents when compared with some of the more expensive resort destinations along the Pacific Coast. Occupancy remained relatively stable in 2017, before declining in 2018 due to the openings of the Hampton by Hilton and Courtyard by Marriott in 2017, as well as the addition of 568 rooms at the Pachanga Resort Casino in March 2018. ADR also declined in 2018. Although demand increased in 2019, occupancy and ADR remained relatively flat as supply growth kept pace with demand growth.

In March 2020, the COVID-19 pandemic began to affect the local market, similar to the rest of the nation, resulting in stay-at-home orders, group cancellations, and decreased business travel; thus, occupancy declined significantly in 2020. As much of the demand remaining was lower rated in nature, ADR declined in 2020, as well. General improvement has been registered since the low point that year. By year-end 2021, occupancy had recovered a substantial portion of its 2020 losses, gaining traction in the latter half of the year after the wide distribution of vaccines. Furthermore, by year-end 2021, ADR surpassed 2019 levels by approximately \$18. Year-to-date data through March 2022 reflects a continuation of this recovery trend. While the pandemic will continue to affect business and larger-scale groups to some degree in the near term, the overall outlook is optimistic given the dynamics of this market, the return to office operations, and the increase in group demand.

Competitive Supply

The following table summarizes the important operating characteristics of the future primary competitors and the aggregate secondary competitors (as applicable). This information was compiled from personal interviews, inspections, online resources, and our in-house database of operating and hotel facility data. In cases where exact operating data for an individual property (or properties) were not available, we have used these resources, as well as the STR data, to estimate positioning within the market.

FIGURE 4-9 PRIMARY COMPETITORS – OPERATING PERFORMANCE

Property	Est. Segmentation				Estimated 2019				Estimated 2021					
	Number of Rooms	Commercial	Leisure	Group	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Courtyard by Marriott Temecula Murrieta	183	40 %	50 %	10 %	183	65 - 70 %	\$120 - \$125	\$80 - \$85	183	55 - 60 %	\$150 - \$160	\$85 - \$90	80 - 85 %	80 - 85 %
Hampton by Hilton Murrieta Temecula	106	40	55	5	106	65 - 70	125 - 130	85 - 90	106	75 - 80	140 - 150	110 - 115	110 - 120	110 - 120
Holiday Inn Express & Suites Murrieta Temecula	105	40	55	5	9	1 - 5	120 - 125	5 - 10	105	60 - 65	130 - 140	85 - 90	85 - 90	80 - 85
Comfort Inn & Suites Temecula Wine Country	66	40	55	5	66	75 - 80	115 - 120	85 - 90	66	70 - 75	120 - 125	90 - 95	100 - 110	85 - 90
Sub-Totals/Averages	460	40 %	53 %	7 %	364	68.9 %	\$123.33	\$84.91	460	66.4 %	\$140.52	\$93	95 %	90.1 %
Secondary Competitors	1,277	45 %	45 %	10 %	813	76.8 %	\$132.70	\$101.88	986	71.5 %	\$151.58	\$108	102 %	104.6 %
Totals/Averages	1,737	44 %	47 %	9 %	1,177	74.3 %	\$130.02	\$96.63	1,446	69.9 %	\$148.23	\$104	100 %	100.0 %

* Specific occupancy and average rate data were utilized in our analysis, but are presented in ranges in the above table for the purposes of confidentiality.

FIGURE 4-10 PRIMARY COMPETITORS – FACILITY PROFILES

Property	Number of Rooms	Year Opened	Approx. Miles To Subject Property	Food and Beverage Outlets	Indoor Meeting Space (SF)	Meeting Space per Room	Facilities & Amenities
Courtyard by Marriott Temecula Murrieta 25419 Madison Avenue	183	2017	1.2	Bistro	2,624	14.3	Business Center; Guest Laundry Area; Outdoor Swimming Pool; Fitness Center; Outdoor Whirlpool
Hampton by Hilton Murrieta Temecula 25140 Hancock Avenue	106	2017	2.0	Breakfast Dining Area	1,000	9.4	Business Center; Guest Laundry Area; Outdoor Swimming Pool; Fitness Center; Outdoor Whirlpool
Holiday Inn Express & Suites Murrieta Temecula 24761 Hospitality Place	105	2019	1.0	Breakfast Dining Area	2,421	23.1	Business Center; Guest Laundry Area; Outdoor Swimming Pool; Fitness Center; Outdoor Whirlpool
Comfort Inn & Suites Temecula Wine Country 41005 California Oaks Road	66	2003	1.0	Breakfast Dining Area	0	—	Business Center; Guest Laundry Area; Indoor Swimming Pool; Fitness Center

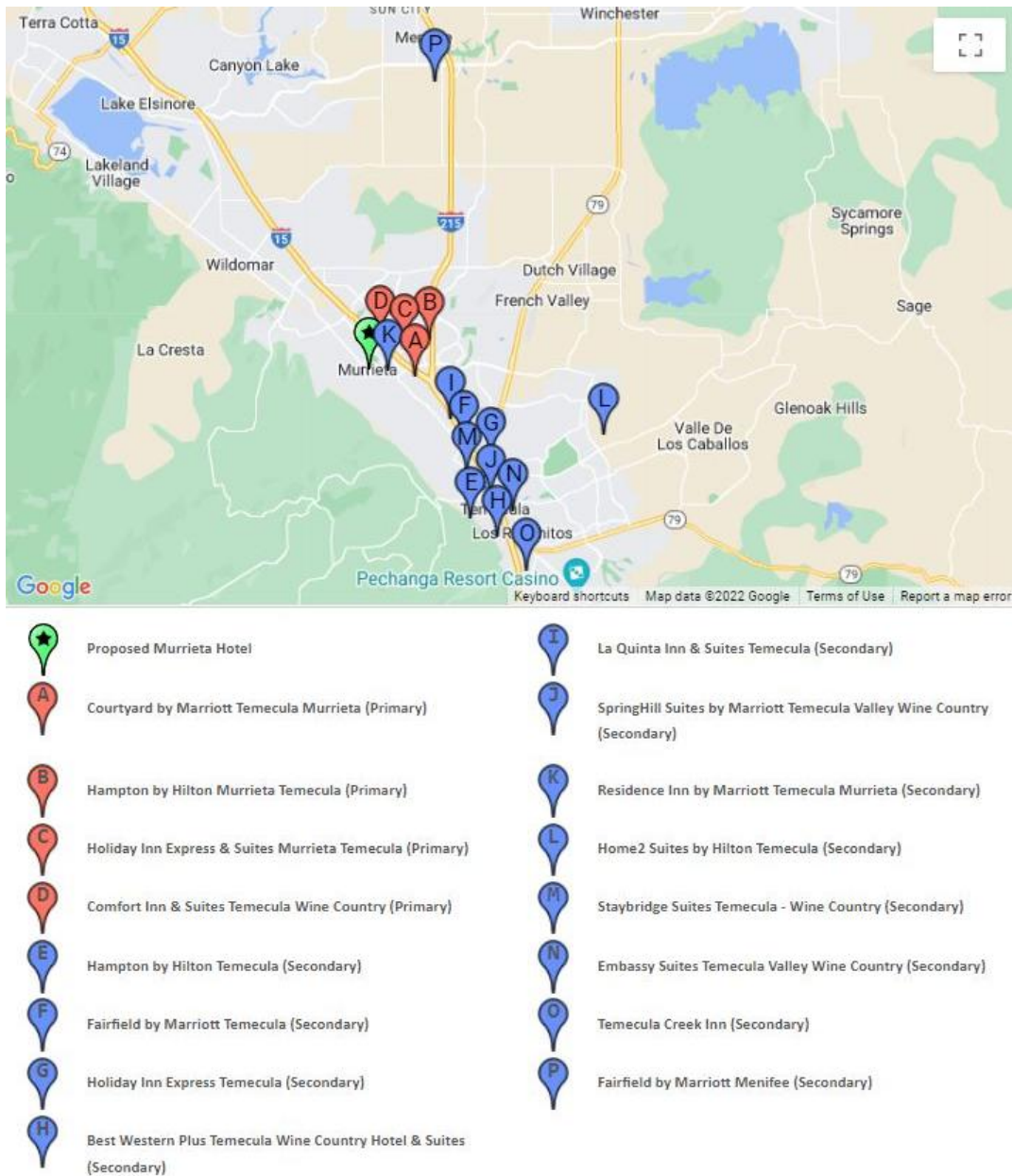
FIGURE 4-11 SECONDARY COMPETITOR(S) – OPERATING PERFORMANCE

Property	Est. Segmentation					Estimated 2019				Estimated 2021			
	Number of Rooms	Commercial	Leisure	Group	Total Competitive Level	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR
Hampton by Hilton Temecula	98	40 %	55 %	5 %	80 %	78	75 - 80 %	\$130 - \$140	\$100 - \$105	78	70 - 75 %	\$160 - \$170	\$115 - \$120
Fairfield by Marriott Temecula	94	40	55	5	80	75	60 - 65	115 - 120	70 - 75	75	60 - 65	130 - 140	80 - 85
Holiday Inn Express Temecula	90	40	55	5	80	72	80 - 85	105 - 110	85 - 90	72	75 - 80	120 - 125	90 - 95
Best Western Plus Temecula Wine Country Hotel & Suites	60	40	55	5	80	48	70 - 75	110 - 115	75 - 80	48	70 - 75	110 - 115	75 - 80
La Quinta Inn & Suites Temecula	56	40	55	5	80	45	75 - 80	125 - 130	100 - 105	45	70 - 75	110 - 115	80 - 85
SpringHill Suites by Marriott Temecula Valley Wine Country	134	40	50	10	80	107	75 - 80	125 - 130	95 - 100	107	70 - 75	140 - 150	110 - 115
Residence Inn by Marriott Temecula Murrieta	101	60	30	10	80	81	75 - 80	150 - 160	120 - 125	81	75 - 80	170 - 180	130 - 140
Home2 Suites by Hilton Temecula	120	60	30	10	80	80	70 - 75	115 - 120	85 - 90	96	75 - 80	150 - 160	115 - 120
Staybridge Suites Temecula - Wine Country	124	60	30	10	80	Not Open				83	65 - 70	160 - 170	115 - 120
Embassy Suites Temecula Valley Wine Country	176	50	35	15	75	132	85 - 90	140 - 150	125 - 130	132	65 - 70	170 - 180	115 - 120
Temecula Creek Inn	125	35	50	15	75	94	65 - 70	160 - 170	105 - 110	94	55 - 60	190 - 200	115 - 120
Fairfield by Marriott Menifee	99	40	55	5	75	Not Open				74	65 - 70	130 - 140	90 - 95
Totals/Averages	1,277	45 %	45 %	10 %	78 %	813	76.8 %	\$132.70	\$101.88	986	71.5 %	\$151.58	\$108.37

* Specific occupancy and average rate data was utilized in our analysis, but is presented in ranges in the above table for the purposes of confidentiality.

The following map illustrates the locations of the proposed subject hotel and its future competitors.

MAP OF COMPETITION



Supply Changes

It is important to consider any new hotels that may have an impact on the proposed subject hotel's operating performance. The hotels that have recently opened, are under construction, or are in the stages of early development (if any) in the Murrieta market are noted below. The list is categorized by the principal submarkets within the city.

FIGURE 4-12 AREA DEVELOPMENT ACTIVITY

Proposed Hotel Name	Estimated Number of Rooms	Hotel Product Tier	Development Stage	Expected Qtr. & Year of Opening	Address
Murrieta					
The Murrieta Hotel (Full-Service Hotel)	260	Upper-Upscale	Seeking Financing	TBD	Intersection of I-5 and I-215, Murrieta
Cambria Murrieta	102	Upscale	Broke Ground	TBD	Northeast of McElwain Road and Linnel Lane, Murrieta
Limited-Service Hotel (Proposed Subject Property)	100	Upper-Midscale	Early Development		
Temecula					
Staybridge Suites Temecula - Wine Country	112	Upscale	Recently Opened	Q2 '21	27500 Jefferson Avenue, Temecula
Hilton Garden Inn Temecula	104	Upscale	Recently Opened	Q3 '21	28210 Jefferson Avenue, Temecula
Traux Boutique Hotel, an Autograph Collection	151	Upscale	Application Pending	TBD	Third Street and Mercedes Street, Temecula
Everhome Suites Temecula	117	Upper-Midscale	Seeking Financing	Q1 '24	27165 Madison Avenue, Temecula

Of the hotels listed in the preceding table, we have identified the following new supply that is expected to have some degree of competitive interaction with the proposed subject hotel based on location, anticipated market orientation and price point, and/or operating profile.

FIGURE 4-13 NEW SUPPLY

Proposed Property	Number of Rooms	Total Competitive Level	Weighted Room Count	Estimated Opening Date	Developer	Development Stage
Proposed Subject Property	120	100 %	120	January 1, 2025	TBD	Early Development
Hilton Garden Inn Temecula	104	100	104	March 1, 2022	Wellprofit International Inc.	Recently Opened
Cambria Murrieta	102	100	102	January 1, 2024	Murrieta Development II, LLC	Broke Ground
Totals/Averages	326		326			

The Hilton Garden Inn Temecula recently opened approximately one mile from the subject site. This hotel is expected to compete with the proposed subject property for overlapping transient demand within the Temecula Valley area; thus, we have considered it fully competitive in our analysis. Furthermore, a Cambria has been proposed for development in Murrieta; given its similar product offering and location within Murrieta, we have considered it fully competitive in our analysis. A number of other hotels have been proposed for development throughout the market; however, given the speculative nature of these projects, they have only been considered qualitatively in our analysis.

In response to the travel restrictions and the decline in demand associated with the COVID-19 pandemic, numerous hotels in markets across the nation temporarily suspended operations. During these suspensions, hotels were typically closed to the public, with the majority of staff furloughed; however, key management and maintenance staff were retained to preserve the property and prepare for reopening. Four hotels in the competitive subject market suspended operations because of the COVID-19 pandemic; however, all have since reopened. Our analysis considers the full supply of competitive rooms, including any hotels that may have temporarily suspended operations. We note that the STR data and our analysis reflect the competitive market's adjusted occupancy upon the suspension of operations and/or the reopening of select competitive hotels within this set.

While we have taken reasonable steps to investigate proposed hotel projects and their status, due to the nature of real estate development, it is impossible to determine with certainty every hotel that will be opened in the future or what their marketing strategies and effect on the market will be. Depending on the outcome of current and future projects, the future operating potential of the proposed subject hotel may be affected. Future improvement in market conditions will raise the risk of increased competition. Our forthcoming forecast of stabilized occupancy and average rate is intended to reflect such risk.

Supply Conclusion

We have identified various properties that are expected to be competitive to some degree with the proposed subject hotel. We have also investigated potential increases in competitive supply in this Murrieta submarket. The Proposed Murrieta Hotel should enter a dynamic market of varying product types and price points. Next, we will present our forecast for demand change, using the historical supply data presented as a starting point.

DEMAND

The following table presents the most recent trends for the subject hotel market as tracked by HVS. These data pertain to the competitors discussed previously in this section; performance results are estimated, rounded for the competition, and weighted if there are secondary competitors present. In this respect, the information in the table differs from the previously presented STR data and is consistent with the supply and demand analysis developed for this report.

FIGURE 4-14 HISTORICAL MARKET TRENDS

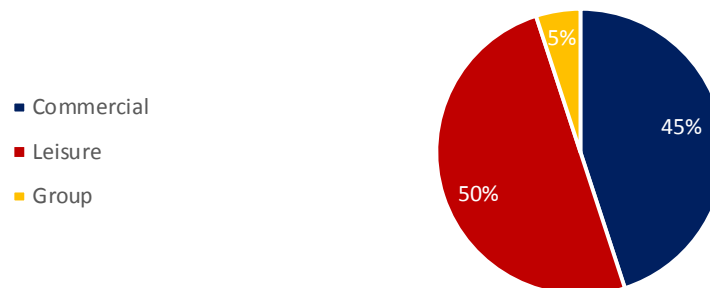
Year	Accommodated Room Nights	% Change	Room Nights Available	% Change	Market Occupancy	Market ADR	% Change	Market RevPAR	% Change
Est. 2019	319,170	—	429,441	—	74.3 %	\$130.02	—	\$96.63	—
Est. 2020	255,119	(20.1) %	477,006	11.1 %	53.5	114.69	(11.8) %	61.34	(36.5) %
Est. 2021	368,721	44.5	527,631	10.6	69.9	148.23	29.2	103.59	68.9
Avg. Annual Compounded Chg., Est. 2019-Est. 2021:		7.5 %		10.8 %			6.8 %		3.5 %

Demand Analysis Using Market Segmentation

For the purpose of demand analysis, the overall market is divided into individual segments based on the nature of travel. Based on our fieldwork, area analysis, and knowledge of the local lodging market, we estimate the 2019 distribution of accommodated-room-night demand as follows.

FIGURE 4-15 BASE-YEAR ACCOMMODATED-ROOM-NIGHT DEMAND

Market Segment	2019 Marketwide		2021 Marketwide	
	Accommodated Demand	Percentage of Total	Accommodated Demand	Percentage of Total
Commercial	139,732	44 %	165,924	45 %
Leisure	150,961	47	184,360	50
Group	28,478	9	18,436	5
Total	319,170	100 %	368,721	100 %

FIGURE 4-16 MARKET-WIDE ACCOMMODATED-ROOM-NIGHT DEMAND

In the base year, the market's demand mix comprised commercial demand, with this segment representing roughly 44% of the accommodated room nights in this Murrieta submarket. The leisure segment comprised 47% of the total, with the final portion group in nature, reflecting 9%.

The purpose of segmenting the lodging market is to define each major type of demand, identify customer characteristics, and estimate future growth trends. Starting with an analysis of the local area, three segments were defined as representing the proposed subject hotel's lodging market. Various types of economic and demographic data were then evaluated to determine their propensity to reflect changes in hotel demand. Based on this procedure, we forecast the following average annual compounded market-segment growth rates.

FIGURE 4-17 AVERAGE ANNUAL COMPOUNDED MARKET-SEGMENT GROWTH RATES

Market Segment	Annual Growth Rate				
	2022	2023	2024	2025	2026
Commercial	5.0 %	6.0 %	8.0 %	7.0 %	3.0 %
Leisure	5.0	6.0	8.0	7.0	3.0
Group	40.0	15.0	8.0	7.0	3.0
Base Demand Growth	6.7 %	6.6 %	8.0 %	7.0 %	3.0 %

Latent Demand

A table presented earlier in this section illustrated the accommodated-room-night demand in the proposed subject hotel's competitive market. Because this estimate is based on historical occupancy levels, it includes only those hotel rooms that were used by guests. Latent demand reflects potential room-night demand that has not been realized by the existing competitive supply, further classified as either unaccommodated demand or induced demand.

Unaccommodated Demand

Unaccommodated demand refers to individuals who are unable to secure accommodations in the market because all the local hotels are filled. These travelers must defer their trips, settle for less desirable accommodations, or stay in properties located outside the market area. Because this demand did not yield occupied room nights, it is not included in the estimate of historical accommodated-room-night demand. If additional lodging facilities are expected to enter the market, it is reasonable to assume that these guests will be able to secure hotel rooms in the future, and it is therefore necessary to quantify this demand.

Unaccommodated demand is further indicated if the market is at all seasonal, with distinct high and low seasons; such seasonality indicates that although year-end occupancy may not average in excess of 70%, the market may sell out certain nights

during the year. To evaluate the incidence of unaccommodated demand in the market, we have reviewed the average occupancy by the night of the week for the past twelve months for the competitive set, as reflected in the STR data. This is set forth in the following table.

FIGURE 4-18 OCCUPANCY BY NIGHT OF THE WEEK

Month	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Month
Apr - 21	63.2 %	66.1 %	71.8 %	74.7 %	77.2 %	87.7 %	92.7 %	76.6 %
May - 21	72.3	65.1	69.9	73.6	84.3	92.3	96.1	79.0
Jun - 21	69.6	67.7	69.0	75.3	82.1	92.7	96.0	78.5
Jul - 21	72.6	71.6	77.7	80.6	80.3	74.5	86.2	77.9
Aug - 21	63.9	58.8	62.8	63.8	72.1	73.8	83.6	67.7
Sep - 21	65.7	53.9	57.8	63.4	69.1	79.2	89.9	68.3
Oct - 21	64.1	58.5	61.1	66.8	72.9	81.9	90.6	71.6
Nov - 21	58.0	56.7	61.7	68.9	77.4	82.4	87.0	69.6
Dec - 21	54.4	55.0	57.3	58.3	60.9	73.5	81.2	63.1
Jan - 22	47.4	46.3	51.6	52.2	53.5	64.0	69.1	54.8
Feb - 22	57.7	56.0	55.4	55.7	57.7	68.4	82.2	61.9
Mar - 22	55.0	54.9	59.0	62.9	65.7	73.6	85.2	64.9
Average	62.0 %	59.0 %	62.9 %	66.2 %	71.0 %	78.7 %	86.6 %	69.5 %

Source: STR

The following table presents our estimate of unaccommodated demand in the subject market.

FIGURE 4-19 UNACCOMMODATED DEMAND ESTIMATE

Market Segment	Accommodated Room Night Demand	Unaccommodated Demand Percentage	Unaccommodated Room Night Demand
Commercial	139,732	1.6 %	2,304
Leisure	150,961	3.7	5,601
Group	28,478	22.3	6,340
Total	319,170	4.5 %	14,246

Accordingly, we have forecast unaccommodated demand equivalent to 4.5% of the base-year demand, resulting from our analysis of monthly and weekly peak demand and sell-out trends.

Induced Demand

Induced demand represents the additional room nights that are expected to be attracted to the market following the introduction of a new demand generator. Situations that can result in induced demand include the opening of a new manufacturing plant, the expansion of a convention center, or the addition of a new hotel with a distinct chain affiliation or unique facilities. Although increases in demand are expected in the local market, we have accounted for this growth in the determination of market-segment growth rates rather than induced demand.

**Accommodated
Demand and Market-
wide Occupancy**

Based upon a review of the market dynamics in the proposed subject hotel's competitive environment, we have forecast growth rates for each market segment. Using the calculated potential demand for the market, we have determined market-wide accommodated demand based on the inherent limitations of demand fluctuations and other factors in the market area.

The following table details our projection of lodging demand growth for the subject market, including the total number of occupied room nights and any residual unaccommodated demand in the market.

FIGURE 4-20 FORECAST OF MARKET OCCUPANCY

	2019	2021	2022	2023	2024	2025	2026	2027
Commercial								
Base Demand	139,732	165,924	174,221	184,674	199,448	213,409	219,811	219,811
Unaccommodated Demand		2,736	2,873	3,045	3,289	3,519	3,625	3,625
Total Demand	139,732	168,661	177,094	187,719	202,737	216,929	223,436	223,436
Growth Rate		20.7 %	5.0 %	6.0 %	8.0 %	7.0 %	3.0 %	0.0 %
Leisure								
Base Demand	150,961	184,360	193,579	205,193	221,609	237,121	244,235	244,235
Unaccommodated Demand		6,841	7,183	7,614	8,223	8,798	9,062	9,062
Total Demand	150,961	191,201	200,761	212,807	229,831	245,920	253,297	253,297
Growth Rate		26.7 %	5.0 %	6.0 %	8.0 %	7.0 %	3.0 %	0.0 %
Group								
Base Demand	28,478	18,436	25,810	29,682	32,057	34,301	35,330	35,330
Unaccommodated Demand		4,104	5,746	6,608	7,137	7,636	7,865	7,865
Total Demand	28,478	22,540	31,557	36,290	39,193	41,937	43,195	43,195
Growth Rate		(20.8) %	40.0 %	15.0 %	8.0 %	7.0 %	3.0 %	0.0 %
Totals								
Base Demand	319,170	368,721	393,610	419,549	453,113	484,831	499,376	499,376
Unaccommodated Demand		13,681	15,802	17,267	18,649	19,954	20,553	20,553
Total Demand	319,170	382,402	409,412	436,816	471,762	504,785	519,929	519,929
less: Residual Demand		13,681	11,033	13,034	13,150	11,022	16,432	16,432
Total Accommodated Demand	319,170	368,721	398,379	423,783	458,611	493,763	503,496	503,496
Overall Demand Growth	—	44.5 %	8.0 %	6.4 %	8.2 %	7.7 %	2.0 %	0.0 %
Market Mix								
Commercial	43.8 %	45.0 %	43.3 %	43.0 %	43.0 %	43.0 %	43.0 %	43.0 %
Leisure	47.3	50.0	49.0	48.7	48.7	48.7	48.7	48.7
Group	8.9	5.0	7.7	8.3	8.3	8.3	8.3	8.3
Existing Hotel Supply	1,177	1,446	1,462	1,462	1,462	1,462	1,462	1,462
Proposed Hotels								
Proposed Subject Property ¹						120	120	120
Hilton Garden Inn Temecula ²			87	104	104	104	104	104
Cambria Murrieta ³					102	102	102	102
Available Room Nights per Year	429,441	527,631	565,308	571,444	608,674	652,474	652,474	652,474
Nights per Year	365	365	365	365	365	365	365	365
Total Supply	1,177	1,446	1,549	1,566	1,668	1,788	1,788	1,788
Rooms Supply Growth	11.1 %	10.6 %	7.1 %	1.1 %	6.5 %	7.2 %	0.0 %	0.0 %
Marketwide Occupancy	74.3 %	69.9 %	70.5 %	74.2 %	75.3 %	75.7 %	77.2 %	77.2 %

¹ Opening in January 2025 of the 100% competitive, 120-room Proposed Subject Property

² Opening in March 2022 of the 100% competitive, 104-room Hilton Garden Inn Temecula

³ Opening in January 2024 of the 100% competitive, 102-room Cambria Murrieta

The defined competitive market of hotels experienced a sharp occupancy decline in 2020 and early 2021 because of the severe downturn in travel associated with the COVID-19 pandemic; however, by year-end 2021, occupancy had recovered a substantial portion of the 2020 losses, gaining traction in the latter half of the year after the wide distribution of vaccines. The recent recovery is expected to continue given the ongoing return of many employees to offices, stronger levels of both commercial and leisure travel, and an increase in group gatherings.

5. Description of the Proposed Improvements

The quality of a lodging facility's physical improvements has a direct influence on marketability, attainable occupancy, and average room rate. The design and functionality of the structure can also affect operating efficiency and overall profitability. This section investigates the subject property's proposed physical improvements and personal property in an effort to determine how they are expected to contribute to attainable cash flows.

Project Overview

We recommend the proposed hotel be developed as an upper-midscale, limited-service lodging facility containing 120 rentable units. The property is anticipated to open on January 1, 2025.

TYPICAL LIMITED-SERVICE EXTERIOR



Summary of the Facilities

The following table summarizes the facilities that are expected to be available at the proposed subject hotel.

FIGURE 5-1 PROPOSED FACILITIES SUMMARY

Guestroom Configuration		Number of Units
King		43
Queen/Queen		65
Suites		12
Total		120
Food & Beverage Facilities		Seating Capacity
Breakfast Dining Area		TBD
Indoor Meeting & Banquet Facilities		Square Footage
Meeting Room		500
Amenities & Services		
Outdoor Swimming Pool		Market Pantry
Outdoor Whirlpool		Guest Laundry Area
Fitness Room		Lobby Workstation
Infrastructure		
Parking Spaces		As Needed
Elevators		TBD
Life-Safety Systems		Sprinklers, Smoke Detectors
Construction Details		Wood Framing, Poured Concrete

It is expected that the proposed hotel will comprise one single building, between three and five stories, as is typical of a limited-service hotel. Surface parking is expected to be located around the building. Other site improvements should include freestanding signage, located at the main entrance to the site, as well as landscaping and sidewalks. Additional signage is expected to be placed on the exterior of the building. The proposed hotel's main entrance should lead directly into the lobby, and the first (ground) floor is anticipated to house the public areas and the back-of-the-house space. Guestrooms should be located on all floors. The site and building components should meet standards for an upper-midscale, limited-service hotel in this Murrieta market.

We recommend a nationally branded, upper-midscale, limited-service product for the proposed subject hotel. Typical limited-service hotels provide a complimentary breakfast in a breakfast dining area, often located off the lobby. The hotel should offer one meeting room, which should be located on the ground floor. Recreational

facilities typical of limited-service hotels in this market include an outdoor pool with sundeck, an outdoor whirlpool, and a fitness room. Other amenities typically offered include a lobby workstation or small business center, a market pantry, and a guest laundry room. Additionally, we recommend the hotel offer king-bedded rooms, queen/queen-bedded rooms, and a limited number of suites. The standard guestrooms should offer typical amenities for a limited-service product, while the suites should be larger, featuring a separate living area. The guestroom bathrooms should be of a standard size, with a shower-in-tub, commode, and single sink with vanity area, featuring a stone countertop. The floors are expected to be finished with tile, and the walls will likely be finished with knockdown texture (consistent with the chosen brand's standards). Overall, the guestrooms and facilities should offer a competitive product for this Murrieta neighborhood.

The hotel will be served by the necessary back-of-the-house space, including an in-house laundry facility, an administrative office, and a prep kitchen to service the needs of the breakfast dining area. These spaces should be adequate for a hotel of this type and should allow for the efficient operation of the property under competent management.

TYPICAL LIMITED-SERVICE LOBBY



TYPICAL LIMITED-SERVICE BREAKFAST DINING AREA



TYPICAL LIMITED-SERVICE BUSINESS CENTER



TYPICAL LIMITED-SERVICE HOTEL GUESTROOM (KING)



TYPICAL LIMITED-SERVICE HOTEL GUESTROOM (QUEEN/QUEEN)



TYPICAL FIRST FLOOR PLAN



TYPICAL GUESTROOM FLOOR PLAN



ADA and Environmental

We assume that the property will be built according to all pertinent codes and the chosen brand's standards. Moreover, we assume its construction will not create any environmental hazards (such as mold) and that the property will fully comply with the Americans with Disabilities Act.

Capital Expenditures

Our analysis assumes that the hotel will require ongoing upgrades and periodic renovations after its opening in order to maintain its competitive level in this market and to remain compliant with the chosen brand's standards. These costs should be adequately funded by the forecasted reserve for replacement, as long as a successful, ongoing preventive-maintenance program is employed by hotel staff.

Conclusion

Overall, the proposed subject property should offer a well-designed, functional layout of support areas and guestrooms. All typical and market-appropriate features and amenities are expected to be included in the hotel's design. We assume that the building will be fully open and operational on the stipulated opening date and will meet all local building codes and the chosen brand's standards. Furthermore, we assume that the hotel staff will be adequately trained to allow for a successful opening and that pre-marketing efforts will have introduced the product to major local accounts at least six months in advance of the opening date.

6. Projection of Occupancy and Average Rate

Along with ADR results, the occupancy levels achieved by a hotel are the foundation of the property's financial performance and market value. Most of a lodging facility's other revenue sources (such as food and beverage, other operated departments, and miscellaneous income) are driven by the number of guests, and many expense levels vary with occupancy. To a certain degree, occupancy attainment can be manipulated by management. For example, hotel operators may choose to lower rates in an effort to maximize occupancy. Our forecasts reflect an operating strategy that we believe would be implemented by a typical, professional hotel management team to achieve an optimal mix of occupancy and average rate.

Forecast of Subject Property's Occupancy

The proposed subject hotel's occupancy forecast is set forth as follows, with the adjusted projected penetration rates used as a basis for calculating the amount of captured market demand.

FIGURE 6-1 FORECAST OF SUBJECT PROPERTY'S OCCUPANCY

Market Segment	2025	2026	2027
Commercial			
Demand	212,322	216,554	216,554
Market Share	6.1 %	6.4 %	6.7 %
Capture	12,968	13,861	14,527
Penetration	91 %	95 %	100 %
Leisure			
Demand	240,574	245,325	245,325
Market Share	6.1 %	6.4 %	6.7 %
Capture	14,765	15,778	16,536
Penetration	91 %	96 %	100 %
Group			
Demand	40,867	41,618	41,618
Market Share	6.1 %	6.4 %	6.7 %
Capture	2,503	2,671	2,800
Penetration	91 %	96 %	100 %
Total Room Nights Captured	30,237	32,310	33,863
Available Room Nights	43,800	43,800	43,800
Subject Occupancy	69 %	74 %	77 %
Market-wide Available Room Nights	652,474	652,474	652,474
Fair Share	7 %	7 %	7 %
Market-wide Occupied Room Nights	493,763	503,496	503,496
Market Share	6 %	6 %	7 %
Market-wide Occupancy	76 %	77 %	77 %
Total Penetration	91 %	96 %	100 %

The proposed limited-service hotel's occupancy penetration in the leisure segment is positioned above the market-average level given the proposed hotel's location proximate to the Temecula Valley wine country and many of the region's major leisure demand generators. Within the commercial segment, the proposed subject hotel's occupancy penetration is positioned above the market-average level, supported by its assumed proximity to several important commercial demand generators. Notably, the proposed hotel is expected to benefit from a location near the area's major employers within the healthcare and biomedical fields, such as Kaiser Permanente, Loma Linda University Health, and the Murrieta Innovation Center. The proposed hotel is also anticipated to benefit from government-related demand generated by Marine Corps Base Camp Pendleton. Within the group

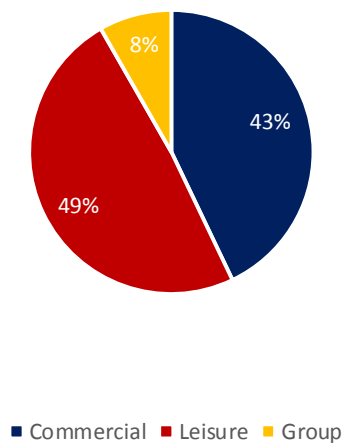
segment, the proposed subject hotel's occupancy penetration is positioned above the market-average level, as we anticipate the hotel's limited-service product should be popular among SMERFE demand sources.

These positioned segment penetration rates result in the following market segmentation forecast.

FIGURE 6-2 MARKET SEGMENTATION FORECAST – SUBJECT PROPERTY

	2025	2026	2027
Commercial	43 %	43 %	43 %
Leisure	49	49	49
Group	8	8	8
Total	100 %	100 %	100 %

FIGURE 6-3 STABILIZED MARKET SEGMENTATION – SUBJECT PROPERTY



Based on our analysis of the proposed subject hotel and market area, we have selected a stabilized occupancy level of 77%. The stabilized occupancy is intended to reflect the anticipated results of the property over its remaining economic life given all changes in the life cycle of the hotel. Thus, the stabilized occupancy excludes from consideration any abnormal relationship between supply and

demand, as well as any nonrecurring conditions that may result in unusually high or low occupancies. Although the proposed subject hotel may operate at occupancies above this stabilized level, we believe it equally possible for new competition and temporary economic downturns to force the occupancy below this selected point of stability.

Average Rate Analysis

Although the average rate analysis presented here follows the occupancy projection, these two statistics are highly correlated; in reality, one cannot project occupancy without making specific assumptions regarding average rate. This relationship is best illustrated by revenue per available room (RevPAR), which reflects a property's ability to maximize rooms revenue. The following table summarizes the historical average rate and the RevPAR of the proposed subject hotel's future primary competitors.

FIGURE 6-4 BASE-YEAR AVERAGE RATE AND REVPAR OF THE COMPETITORS

Property	Estimated 2021 Average Room Rate	Rooms Revenue Per Available Room (RevPAR)	RevPAR Penetration
Courtyard by Marriott Temecula Murrieta	\$150 - \$160	\$85 - \$90	80 - 85 %
Hampton by Hilton Murrieta Temecula	140 - 150	110 - 115	110 - 120
Holiday Inn Express & Suites Murrieta Temecula	130 - 140	85 - 90	80 - 85
Comfort Inn & Suites Temecula Wine Country	120 - 125	90 - 95	85 - 90
Average - Primary Competitors	\$140.52	\$93.33	90.1 %
Average - Secondary Competitors	151.58	108.37	104.6
Overall Average	\$148.23	\$103.59	100.0 %
Subject As If Stabilized (In 2021 Dollars)	\$140.00	\$98.02	94.6 %

We have selected the rate position of \$140.00, in base-year dollars (2021), for the proposed subject hotel. We positioned the proposed subject hotel's stabilized ADR in the 2021 base year in consideration of its new facility, strong brand affiliation, and proximity to a variety of demand generators. Average rates for this competitive

market are anticipated to continue the strengthening trend that began in 2021, with the highest growth rate forecast for 2022 given the swift recovery from the particularly low ADRs in the first half of 2021. Month-over-month comparisons in the early weeks of 2022 have been strong. ADR growth should moderate in the following years. The projected recovery and growth of market ADR is based upon the expectation that Murrieta-Temecula area will remain a top destination for day-trips and short vacations for those traveling from nearby Los Angeles, Orange County, and San Diego. The economic strength of the Southern California region should also contribute to the long-term stability of the market.

The following table presents the market's and proposed subject hotel's ADR forecast, and the resulting penetration level. The proposed subject hotel's projected average rate (as if stabilized) is then fiscalized to correspond with the hotel's anticipated date of opening for each forecast year. Discounts of 2% and 1% have been applied to the stabilized room rates projected for the first two years of operation, as would be expected for a new property of this type as it builds its reputation and becomes established in the market.

FIGURE 6-5 ADR FORECAST – MARKET AND PROPOSED SUBJECT PROPERTY

Calendar Year	Historical		2022	2023	2024	2025	2026	2027	2028	2029
	2019	2021								
Market ADR	\$130.02	\$148.23	\$162.31	\$167.18	\$172.20	\$177.37	\$182.69	\$188.17	\$193.81	\$199.63
Projected Market ADR Growth Rate	—		9.5%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Proposed Subject Property ADR (As-If Stabilized)		\$140.00	\$153.30	\$157.90	\$162.64	\$167.52	\$172.54	\$177.72	\$183.05	\$188.54
ADR Growth Rate			9.5%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Proposed Subject Stabilized ADR Penetration		94%	94%	94%	94%	94%	94%	94%	94%	94%
Fiscal Year										
Proposed Subject Property Average Rate										
Opening Discount										
Average Rate After Discount										
Real Average Rate Growth										
Market ADR										
Proposed Subject ADR Penetration (After Discount)										
ADR Expressed in Base-Year Dollars Deflated @ Inflation Rate										

The proposed subject hotel's ADR penetration level is forecast to reach 94.4% by the stabilized period, consistent with our stabilized ADR positioning. The following occupancies and average rates will be used to project the proposed subject hotel's rooms revenue; this forecast reflects years beginning on January 1, 2025, which correspond with our financial projections.

FIGURE 6-6 FORECASTS OF OCCUPANCY AND AVERAGE RATE

<u>Year</u>	<u>Occupancy</u>	<u>Average Rate Before Discount</u>	<u>Discount</u>	<u>Average Rate After Discount</u>
2025	69 %	\$167.52	2.0 %	\$164.16
2026	74	172.54	1.0	170.82
2027	77	177.72	0.0	177.72

7. Projection of Income and Expense

In this chapter of our report, we have compiled a forecast of income and expense for the proposed subject hotel. This forecast is based on the facilities program set forth previously, as well as the occupancy and average rate forecast discussed previously.

Comparable Operating Statements

In order to project future income and expense for the proposed subject hotel, we have included a sample of individual comparable operating statements from our database of hotel statistics. All financial data are presented according to the three most common measures of industry performance: ratio to sales (RTS), amounts per available room (PAR), and amounts per occupied room night (POR). These historical income and expense statements will be used as benchmarks in our forthcoming forecast of income and expense. The subject's stabilized statement of income and expense, deflated to base-year dollars, is also presented.

FIGURE 7-1 COMPARABLE OPERATING STATEMENTS: RATIO TO SALES

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject
						Stabilized \$
Year:	2021/22	2019/20	2019	2019	2019	2019
Edition:	11	11	11	11	11	11
Number of Rooms:	90 to 120	120 to 150	60 to 80	90 to 120	100 to 130	120
Days Open:	365	365	365	365	365	365
Occupancy:	75%	80%	83%	86%	72%	77%
Average Rate:	\$152	\$147	\$121	\$133	\$157	\$137
RevPAR:	\$114	\$117	\$101	\$115	\$113	\$106
REVENUE						
Rooms	97.8 %	92.0 %	98.8 %	97.4 %	95.0 %	98.0 %
Other Operated Departments	1.6	2.2	1.2	2.6	4.7	1.4
Miscellaneous Income	0.6	5.8	0.0	0.0	0.2	0.5
Total	100.0	100.0	100.0	100.0	100.0	100.0
DEPARTMENTAL EXPENSES*						
Rooms	17.8	20.0	21.6	25.0	30.6	23.0
Other Operated Departments	26.1	42.7	17.7	18.0	12.9	50.0
Total	17.8	19.3	21.5	24.9	29.7	23.3
DEPARTMENTAL INCOME	82.2	80.7	78.5	75.1	70.3	76.7
UNDISTRIBUTED OPERATING EXPENSES						
Administrative & General	6.9	6.8	11.8	6.6	10.0	8.1
Info. and Telecom. Systems	1.2	1.3	2.4	0.6	1.2	1.1
Marketing	3.2	3.3	2.9	2.0	4.2	3.6
Franchise Fee	8.8	8.3	8.7	15.1	3.8	8.8
Property Operations & Maintenance	1.9	2.2	4.5	2.9	2.4	3.8
Utilities	3.5	3.2	4.3	2.9	2.5	3.8
Total	25.5	25.2	34.6	30.2	24.1	29.3
GROSS OPERATING PROFIT	56.7	55.5	43.9	44.9	46.2	47.4
Management Fee	3.4	3.0	4.2	2.8	0.9	3.0
INCOME BEFORE NON-OPER. INC. & EXP.	53.3	52.5	39.7	42.2	45.3	44.4
EBITDA LESS RESERVE	50.2 %	40.4 %	32.1 %	35.7 %	39.0 %	34.5 %

* Departmental expense ratios are expressed as a percentage of departmental revenues

FIGURE 7-2 COMPARABLE OPERATING STATEMENTS: AMOUNTS PER AVAILABLE ROOM

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject
						Stabilized \$
Year:	2021/22	2019/20	2019	2019	2019	2019
Edition:	11	11	11	11	11	11
Number of Rooms:	90 to 120	120 to 150	60 to 80	90 to 120	100 to 130	120
Days Open:	365	365	365	365	365	365
Occupancy:	75%	80%	83%	86%	72%	77%
Average Rate:	\$152	\$147	\$121	\$133	\$157	\$137
RevPAR:	\$114	\$117	\$101	\$115	\$113	\$106
REVENUE						
Rooms	\$41,634	\$42,750	\$36,766	\$41,996	\$41,217	\$38,511
Other Operated Departments	668	1,018	443	1,103	2,060	562
Miscellaneous Income	250	2,719	4	0	99	211
Total	42,552	46,486	37,212	43,100	43,375	39,284
DEPARTMENTAL EXPENSES						
Rooms	7,419	8,555	7,940	10,513	12,597	8,857
Other Operated Departments	174	434	78	199	266	281
Total	7,594	8,989	8,018	10,712	12,863	9,139
DEPARTMENTAL INCOME	34,959	37,497	29,194	32,388	30,513	30,145
UNDISTRIBUTED OPERATING EXPENSES						
Administrative & General	2,936	3,175	4,409	2,861	4,339	3,200
Info. and Telecom. Systems	531	597	902	265	505	450
Marketing	1,351	1,518	1,061	867	1,831	1,400
Franchise Fee	3,747	3,877	3,228	6,491	1,651	3,466
Property Operations & Maintenance	790	1,039	1,658	1,261	1,021	1,500
Utilities	1,490	1,489	1,604	1,251	1,092	1,500
Total	10,846	11,696	12,862	12,995	10,438	11,516
GROSS OPERATING PROFIT	24,113	25,801	16,332	19,393	20,075	18,629
Management Fee	1,439	1,395	1,545	1,188	408	1,179
INCOME BEFORE NON-OPER. INC. & EXP.	22,674	24,407	14,788	18,204	19,666	17,450
EBITDA LESS RESERVE	\$21,322	\$18,784	\$11,957	\$15,441	\$16,899	\$13,563

FIGURE 7-3 COMPARABLE OPERATING STATEMENTS: AMOUNTS PER OCCUPIED ROOM

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject
						Stabilized \$
Year:	2021/22	2019/20	2019	2019	2019	2019
Edition:	11	11	11	11	11	11
Number of Rooms:	90 to 120	120 to 150	60 to 80	90 to 120	100 to 130	120
Days Open:	365	365	365	365	365	365
Occupancy:	75%	80%	83%	86%	72%	77%
Average Rate:	\$152	\$147	\$121	\$133	\$157	\$137
RevPAR:	\$114	\$117	\$101	\$115	\$113	\$106
REVENUE						
Rooms	\$152.31	\$146.91	\$121.22	\$133.33	\$157.17	\$137.02
Other Operated Departments	2.44	3.50	1.46	3.50	7.86	2.00
Miscellaneous Income	0.91	9.34	0.01	0.00	0.38	0.75
Total	155.66	159.75	122.69	136.83	165.40	139.77
DEPARTMENTAL EXPENSES						
Rooms	27.14	29.40	26.18	33.38	48.04	31.52
Other Operated Departments	0.64	1.49	0.26	0.63	1.01	1.00
Total	27.78	30.89	26.44	34.01	49.05	32.52
DEPARTMENTAL INCOME	127.89	128.86	96.25	102.82	116.35	107.26
UNDISTRIBUTED OPERATING EXPENSES						
Administrative & General	10.74	10.91	14.54	9.08	16.54	11.39
Info. and Telecom. Systems	1.94	2.05	2.97	0.84	1.92	1.60
Marketing	4.94	5.22	3.50	2.75	6.98	4.98
Franchise Fee	13.71	13.32	10.64	20.61	6.30	12.33
Property Operations & Maintenance	2.89	3.57	5.47	4.00	3.89	5.34
Utilities	5.45	5.12	5.29	3.97	4.16	5.34
Total	39.68	40.19	42.40	41.26	39.80	40.98
GROSS OPERATING PROFIT	88.21	88.67	53.85	61.57	76.55	66.28
Management Fee	5.27	4.79	5.09	3.77	1.56	4.19
INCOME BEFORE NON-OPER. INC. & EXP.	82.94	83.87	48.75	57.79	74.99	62.09
EBITDA LESS RESERVE	\$77.99	\$64.55	\$39.42	\$49.02	\$64.44	\$48.26

Inflation and Appreciation Assumptions

The comparable statements' departmental income ranged from 70.3% to 82.2% of total revenue. The comparable properties achieved a gross operating profit ranging from 43.9% to 56.7% of total revenue.

In consideration of the trends in the Consumer Price Index (CPI), inflation factors that directly influence lodging properties, projections set forth by economists surveyed, and the Federal Reserve's target inflation rate, we have applied the underlying inflation rates as reflected in the following table.

FIGURE 7-4 INFLATION ASSUMPTIONS

Timeframe	Rate of Inflation	
	Assumed	
2019 to 2020	1.0 %	
2020 to 2021	6.0	
2021 to 2022	4.5	
2022 to 2023	3.0	
2023 to 2024	3.0	

Beyond the illustrated year, we have applied a 3.0% annual rate of growth to income and expenses to reflect the longer-term expectation of asset appreciation by typical investors. This position is based on interviews with numerous market participants indicating a distinction in the expectations of near-term cost inflation (i.e., related to labor and supplies) versus long-term income growth that drives appreciation. Any exceptions to the application of the assumed underlying inflation and EBITDA Less Replacement Reserve growth rates are discussed in our write-up of individual income and expense items.

Forecast of Revenue and Expense

Based on an analysis that will be detailed throughout this section, we have formulated a forecast of income and expense. The following table presents a detailed forecast through the fifth projection year, including amounts per available room and per occupied room. The second table illustrates our ten-year forecast of income and expense, presented with a lesser degree of detail. The forecasts pertain to years that begin on January 1, 2025, expressed in inflated dollars for each year.

FIGURE 7-5 DETAILED FORECAST OF INCOME AND EXPENSE

	2025 (Calendar Year)				2026				Stabilized				2028				2029			
Number of Rooms:	120				120				120				120				120			
Occupancy:	69%				74%				77%				77%				77%			
Average Rate:	\$164.16				\$170.82				\$177.72				\$183.05				\$188.54			
RevPAR:	\$113.27				\$126.40				\$136.84				\$140.95				\$145.18			
Days Open:	365				365				365				365				365			
Occupied Rooms:	30,222	%Gross	PAR	POR	32,412	%Gross	PAR	POR	33,726	%Gross	PAR	POR	33,726	%Gross	PAR	POR	33,726	%Gross	PAR	POR
OPERATING REVENUE																				
Rooms	\$4,961	97.8 %	\$41,342	\$164.15	\$5,536	98.0 %	\$46,133	\$170.80	\$5,994	98.0 %	\$49,950	\$177.73	\$6,173	98.0 %	\$51,442	\$183.03	\$6,359	98.0 %	\$52,992	\$188.55
Other Operated Departments	80	1.6	666	2.64	84	1.5	700	2.59	87	1.4	729	2.59	90	1.4	751	2.67	93	1.4	773	2.75
Miscellaneous Income	30	0.6	250	0.99	31	0.6	262	0.97	33	0.5	273	0.97	34	0.5	282	1.00	35	0.5	290	1.03
Total Operating Revenues	5,071	100.0	42,257	167.79	5,651	100.0	47,095	174.36	6,114	100.0	50,952	181.29	6,297	100.0	52,474	186.71	6,487	100.0	54,055	192.33
DEPARTMENTAL EXPENSES *																				
Rooms	1,245	25.1	10,378	41.21	1,318	23.8	10,979	40.65	1,379	23.0	11,488	40.87	1,420	23.0	11,833	42.10	1,462	23.0	12,187	43.36
Other Operated Departments	41	51.1	340	1.35	42	50.4	353	1.31	44	50.0	365	1.30	45	50.0	375	1.34	46	50.0	387	1.38
Total Expenses	1,286	25.4	10,719	42.56	1,360	24.1	11,332	41.96	1,422	23.3	11,852	42.17	1,465	23.3	12,208	43.44	1,509	23.3	12,574	44.74
DEPARTMENTAL INCOME	3,785	74.6	31,538	125.23	4,292	75.9	35,763	132.41	4,692	76.7	39,100	139.12	4,832	76.7	40,266	143.27	4,978	76.7	41,481	147.59
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	455	9.0	3,795	15.07	478	8.5	3,981	14.74	498	8.1	4,150	14.77	513	8.1	4,275	15.21	528	8.1	4,403	15.67
Info & Telecom Systems	64	1.3	534	2.12	67	1.2	560	2.07	70	1.1	584	2.08	72	1.1	601	2.14	74	1.1	619	2.20
Marketing	199	3.9	1,660	6.59	209	3.7	1,742	6.45	218	3.6	1,816	6.46	224	3.6	1,870	6.65	231	3.6	1,926	6.85
Franchise Fee	446	8.8	3,721	14.77	498	8.8	4,152	15.37	539	8.8	4,496	16.00	556	8.8	4,630	16.47	572	8.8	4,769	16.97
Prop. Operations & Maint.	171	3.4	1,423	5.65	202	3.6	1,680	6.22	233	3.8	1,945	6.92	240	3.8	2,004	7.13	248	3.8	2,064	7.34
Utilities	213	4.2	1,779	7.06	224	4.0	1,866	6.91	233	3.8	1,945	6.92	240	3.8	2,004	7.13	248	3.8	2,064	7.34
Total Expenses	1,549	30.6	12,911	51.26	1,678	29.8	13,980	51.76	1,792	29.2	14,936	53.14	1,846	29.2	15,383	54.74	1,901	29.2	15,846	56.38
GROSS OPERATING PROFIT	2,235	44.0	18,628	73.96	2,614	46.1	21,783	80.65	2,900	47.5	24,164	85.98	2,986	47.5	24,883	88.54	3,076	47.5	25,635	91.21
Management Fee	152	3.0	1,268	5.03	170	3.0	1,413	5.23	183	3.0	1,529	5.44	189	3.0	1,574	5.60	195	3.0	1,622	5.77
INCOME BEFORE NON-OPR. INC. & EXP.	2,083	41.0	17,360	68.93	2,444	43.1	20,370	75.42	2,716	44.5	22,635	80.54	2,797	44.5	23,309	82.93	2,882	44.5	24,013	85.44
NON-OPERATING INCOME & EXPENSE																				
Property Taxes	287	5.7	2,388	9.48	292	5.2	2,436	9.02	298	4.9	2,484	8.84	304	4.8	2,534	9.02	310	4.8	2,585	9.20
Insurance	59	1.2	489	1.94	60	1.1	504	1.86	62	1.0	519	1.85	64	1.0	534	1.90	66	1.0	550	1.96
Total Expenses	345	6.9	2,877	11.42	353	6.3	2,939	10.88	360	5.9	3,003	10.69	368	5.8	3,068	10.92	376	5.8	3,135	11.16
EBITDA	1,738	34.1	14,483	57.51	2,092	36.8	17,430	64.53	2,356	38.6	19,632	69.85	2,429	38.7	20,240	72.02	2,505	38.7	20,878	74.29
Reserve for Replacement	101	2.0	845	3.36	170	3.0	1,413	5.23	245	4.0	2,038	7.25	252	4.0	2,099	7.47	259	4.0	2,162	7.69
EBITDA LESS RESERVE	\$1,637	32.1 %	\$13,638	\$54.15	\$1,922	33.8 %	\$16,018	\$59.30	\$2,111	34.6 %	\$17,594	\$62.60	\$2,177	34.7 %	\$18,141	\$64.55	\$2,246	34.7 %	\$18,716	\$66.59

*Departmental expenses are expressed as a percentage of departmental revenues.

FIGURE 7-6 TEN-YEAR FORECAST OF INCOME AND EXPENSE

	2025		2026		2027		2028		2029		2030		2031		2032		2033		2034	
Number of Rooms:	120		120		120		120		120		120		120		120		120		120	
Occupied Rooms:	30,222		32,412		33,726		33,726		33,726		33,726		33,726		33,726		33,726		33,726	
Occupancy:	69%		74%		77%		77%		77%		77%		77%		77%		77%		77%	
Average Rate:	\$164.16	% of	\$170.82	% of	\$177.72	% of	\$183.05	% of	\$188.54	% of	\$194.20	% of	\$200.02	% of	\$206.02	% of	\$212.20	% of	\$218.57	% of
RevPAR:	\$113.27	Gross	\$126.40	Gross	\$136.84	Gross	\$140.95	Gross	\$145.18	Gross	\$149.53	Gross	\$154.02	Gross	\$158.64	Gross	\$163.40	Gross	\$168.30	Gross
OPERATING REVENUE																				
Rooms	\$4,961	97.8 %	\$5,536	98.0 %	\$5,994	98.0 %	\$6,173	98.0 %	\$6,359	98.0 %	\$6,549	98.0 %	\$6,746	98.0 %	\$6,948	98.0 %	\$7,157	98.0 %	\$7,371	98.0 %
Other Operated Departments	80	1.6	84	1.5	87	1.4	90	1.4	93	1.4	96	1.4	98	1.4	101	1.4	104	1.4	108	1.4
Miscellaneous Income	30	0.6	31	0.6	33	0.5	34	0.5	35	0.5	36	0.5	37	0.5	38	0.5	39	0.5	40	0.5
Total Operating Revenues	5,071	100.0	5,651	100.0	6,114	100.0	6,297	100.0	6,487	100.0	6,680	100.0	6,881	100.0	7,087	100.0	7,301	100.0	7,519	100.0
DEPARTMENTAL EXPENSES *																				
Rooms	1,245	25.1	1,318	23.8	1,379	23.0	1,420	23.0	1,462	23.0	1,506	23.0	1,552	23.0	1,598	23.0	1,646	23.0	1,695	23.0
Other Operated Departments	41	51.1	42	50.4	44	50.0	45	50.0	46	50.0	48	50.0	49	50.0	51	50.0	52	50.0	54	50.0
Total Expenses	1,286	25.4	1,360	24.1	1,422	23.3	1,465	23.3	1,509	23.3	1,554	23.3	1,601	23.3	1,649	23.3	1,698	23.3	1,749	23.3
DEPARTMENTAL INCOME	3,785	74.6	4,292	75.9	4,692	76.7	4,832	76.7	4,978	76.7	5,126	76.7	5,281	76.7	5,439	76.7	5,602	76.7	5,770	76.7
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	455	9.0	478	8.5	498	8.1	513	8.1	528	8.1	544	8.1	561	8.1	577	8.1	595	8.1	613	8.1
Info & Telecom Systems	64	1.3	67	1.2	70	1.1	72	1.1	74	1.1	77	1.1	79	1.1	81	1.1	84	1.1	86	1.1
Marketing	199	3.9	209	3.7	218	3.6	224	3.6	231	3.6	238	3.6	245	3.6	253	3.6	260	3.6	268	3.6
Franchise Fee	446	8.8	498	8.8	539	8.8	556	8.8	572	8.8	589	8.8	607	8.8	625	8.8	644	8.8	663	8.8
Prop. Operations & Maint.	171	3.4	202	3.6	233	3.8	240	3.8	248	3.8	255	3.8	263	3.8	271	3.8	279	3.8	287	3.8
Utilities	213	4.2	224	4.0	233	3.8	240	3.8	248	3.8	255	3.8	263	3.8	271	3.8	279	3.8	287	3.8
Total Expenses	1,549	30.6	1,678	29.8	1,792	29.2	1,846	29.2	1,901	29.2	1,958	29.2	2,017	29.2	2,078	29.2	2,140	29.2	2,204	29.2
GROSS OPERATING PROFIT	2,235	44.0	2,614	46.1	2,900	47.5	2,986	47.5	3,076	47.5	3,168	47.5	3,263	47.5	3,361	47.5	3,462	47.5	3,565	47.5
Management Fee	152	3.0	170	3.0	183	3.0	189	3.0	195	3.0	200	3.0	206	3.0	213	3.0	219	3.0	226	3.0
INCOME BEFORE NON-OPR. INC. & EXP.	2,083	41.0	2,444	43.1	2,716	44.5	2,797	44.5	2,882	44.5	2,967	44.5	3,057	44.5	3,148	44.5	3,243	44.5	3,340	44.5
NON-OPERATING INCOME & EXPENSE																				
Property Taxes	287	5.7	292	5.2	298	4.9	304	4.8	310	4.8	316	4.7	323	4.7	329	4.6	336	4.6	342	4.6
Insurance	59	1.2	60	1.1	62	1.0	64	1.0	66	1.0	68	1.0	70	1.0	72	1.0	74	1.0	77	1.0
Total Expenses	345	6.9	353	6.3	360	5.9	368	5.8	376	5.8	384	5.7	393	5.7	401	5.6	410	5.6	419	5.6
EBITDA	1,738	34.1	2,092	36.8	2,356	38.6	2,429	38.7	2,505	38.7	2,583	38.8	2,664	38.8	2,747	38.9	2,833	38.9	2,921	38.9
Reserve for Replacement	101	2.0	170	3.0	245	4.0	252	4.0	259	4.0	267	4.0	275	4.0	283	4.0	292	4.0	301	4.0
EBITDA LESS RESERVE	\$1,637	32.1 %	\$1,922	33.8 %	\$2,111	34.6 %	\$2,177	34.7 %	\$2,246	34.7 %	\$2,316	34.8 %	\$2,389	34.8 %	\$2,463	34.9 %	\$2,541	34.9 %	\$2,620	34.9 %

We anticipate that it will take three years for the proposed subject hotel to reach a stabilized level of operation. Each revenue and expense item has been forecast based upon our review of the proposed subject hotel's operating budget and comparable income and expense statements. The forecast is based upon calendar years beginning January 1, 2025, expressed in inflated dollars for each year.

Revenues associated with the proposed subject hotel's other operated departments and miscellaneous income category have been forecast to reflect the recommended hotel facilities and amenities, including a market pantry and meeting room. Expense levels fall within a range of reasonableness given the provided comparable operating statements; furthermore, franchise and management fees are set forth in accordance with our assumptions provided earlier in our report.

Property Taxes

Real estate in the state of California is assessed at 100% of market value upon the sale, expansion, or new construction of a property. Once established, the assessed value of a property can increase by no more than 2.0% per year, according to state law. A reassessment is triggered by the sale, expansion, or improvement of a property. Because this analysis is predicated upon a hypothetical sale, we have calculated the first year's property tax burden based on the estimated fee-simple market value of the subject property determined by our analysis. Real and personal property are taxed at the same rate. Property taxes are "stepped up" upon the assumed sale of the hotel at the end of the tenth year by loading the terminal capitalization rate with the tax rate.

In most states, the comparison of a hotel's assessed value with that of comparable hotels in the same taxing jurisdiction can provide insight into whether or not the property is fairly assessed. The assessed value of the land and improvements is divided by the hotel's number of rooms to provide a unit of comparison with other hotels. This is a useful tool in most states, where properties are periodically reassessed to market value. However, in California, the comparison of assessed values is generally irrelevant due to Proposition 13, enacted in 1978, which removed the relationship between a property's assessed value and its market value. Under Proposition 13, a property is reassessed upon sale to market value, which is generally presumed to be the sales price; thereafter, the assessed value is increased at a maximum of 2% per year. Trends in appreciation and depreciation caused by market fluctuations are not reflected in a property's assessed value in California, unless there is a sales transaction. Thus, comparable hotels in California can have markedly different assessed values, depending upon when the last sales transaction occurred. For this reason, we have not researched the assessed values of comparable hotels to assess the reasonableness of the subject property's assessed value. The following table details the subject property's assessment history.

The proposed hotel will be subject to various special assessments, including those related to the Murrieta Combined School District, Murrieta Parks and Recreation Department, and Murrieta Fire Department, as well as those related to the water district.

Tax rates are based on the city and county budgets, which change annually. The most recent tax rate in this jurisdiction was reported at 1.13925%. The following table shows changes in the tax rate during the last several years.

FIGURE 7-7 COUNTY TAX RATES

<u>Year</u>	<u>Real Property Tax Rate</u>
2021	1.13925
Source: Riverside County Assessor's Office	

Based on state law and the current tax rate, the proposed subject property's projected property tax expense levels are calculated as follows.

FIGURE 7-8 SUBJECT PROPERTY TAX CALCULATION

<u>Estimated Market Value of</u>		<u>Tax Rate</u>	<u>First Year's</u>
\$25,100,000	x	1.13925%	\$287,091

Conclusion

In conclusion, our analysis reflects a profitable operation, with net income expected to total 34.7% of total revenue by the stabilized year. The stabilized total revenue comprises primarily rooms and food and beverage revenue, with a secondary portion derived from other income sources. On the cost side, departmental expenses total 23.3% of revenue by the stabilized year, while undistributed operating expenses total 29.2% of total revenues; this assumes that the property will be operated competently by a well-known hotel operator. After a 3.0% of total revenues management fee, a net income ratio of 34.7% is forecast by the stabilized year.

8. Feasibility Analysis

Return on investment can be defined as the future benefits of an income-producing property relative to its acquisition or construction cost. The first step in performing a return-on-investment analysis is to determine the amount to be initially invested. For a proposed property, this amount is most likely to be the development cost of the hotel. Based on the total development cost, the individual investor will utilize a return-on-investment analysis to determine if the future cash flow from a current cash outlay meets his or her own investment criteria and at what level above or below this amount such an outlay exceeds or fails to meet these criteria.

As an individual or company considering investment in hotel real estate, the decision to use one's own cash, an equity partner's capital, or lender financing will be an internal one. Because hotels typically require a substantial investment, only the largest investors and hotel companies generally have the means to purchase properties with all cash. We would anticipate the involvement of some financing by a third party for the typical investor or for those who may be entering the market for hotel acquisitions at this time. In leveraged acquisitions and developments where investors typically purchase or build upon real estate with a small amount of equity cash (20% to 50%) and a large amount of mortgage financing (50% to 80%), it is important for the equity investor to acknowledge the return requirements of the debt participant (mortgagee), as well as his or her own return requirements. Therefore, we will begin our rate-of-return analysis by reviewing the debt requirements of typical hotel mortgagees.

Construction Cost Estimate

To determine the feasibility of this project, we have developed an estimate of the total development costs, which includes hard costs, FF&E, soft costs, pre-opening costs, and working capital, as well as the developer's fee. Our development cost estimate is supported by actual cost comparables and the annual *HVS Development Cost Survey*. We recommend that the development team obtain a more detailed development cost estimate from actual construction companies. It is also advised that developers consult more than one source in their hotel development process to more accurately assess the cost of development.

Development Cost

As a basis for estimating the development costs, we have used a hotel development cost survey conducted by HVS. The survey presents the range of per-room costs associated with various components of hotel development, including improvements, furniture, and equipment; pre-opening expenses; and operating capital. Statistics are compiled for budget hotels, midscale hotels with and without food and beverage, extended-stay hotels, full-service hotels, and luxury hotels and

resorts. The results of the development cost survey are presented in the following table.

FIGURE 8-1 HOTEL DEVELOPMENT COST SURVEY (AMOUNTS PER ROOM)

	Land	Building & Site Improvements	Soft Costs	FF&E	Pre-Opening & Working Capital	Developer Fee	Total
Limited-Service Hotels							
Average	\$14,168	\$96,154	\$14,439	\$14,968	\$2,938	\$4,243	\$146,910
Median	\$9,787	\$91,024	\$10,750	\$13,574	\$2,153	\$4,465	\$131,752
% of Total*	10%	68%	10%	10%	2%	1%	100%
Extended-Stay Hotels (Midscale)							
Average	\$20,686	\$95,735	\$16,794	\$14,414	\$2,889	\$3,984	\$154,502
Median	\$16,822	\$80,719	\$12,662	\$14,414	\$2,737	\$3,721	\$131,076
% of Total*	14%	63%	11%	9%	2%	2%	100%
Extended-Stay Hotels (Upscale)							
Average	\$17,377	\$129,130	\$28,200	\$19,932	\$4,640	\$6,699	\$205,979
Median	\$14,593	\$125,090	\$21,366	\$20,320	\$3,040	\$7,212	\$191,620
% of Total*	8%	64%	14%	10%	2%	2%	100%
Select-Service Hotels							
Average	\$25,354	\$152,378	\$29,792	\$22,659	\$8,004	\$7,051	\$245,238
Median	\$19,642	\$129,429	\$27,605	\$23,148	\$7,212	\$6,818	\$213,854
% of Total*	9%	64%	12%	10%	3%	2%	100%
Dual-Branded Hotels							
Average	\$20,950	\$181,786	\$25,041	\$26,189	\$5,512	\$9,824	\$269,302
Median	\$11,486	\$138,384	\$23,066	\$23,221	\$4,500	\$8,502	\$209,158
% of Total*	8%	68%	9%	10%	2%	3%	100%
Full-Service Hotels							
Average	\$51,397	\$291,937	\$64,437	\$38,097	\$16,494	\$14,696	\$477,058
Median	\$28,090	\$220,976	\$51,134	\$32,584	\$13,596	\$14,792	\$361,172
% of Total*	7%	66%	13%	8%	3%	2%	100%
Luxury Hotels							
Average	\$81,329	\$497,468	\$129,875	\$52,459	\$26,333	\$17,546	\$805,010
Median	\$47,508	\$482,319	\$94,194	\$45,900	\$21,868	\$20,490	\$712,279
% of Total*	10%	63%	16%	7%	3%	2%	100%
Redevelopment Projects							
Average	\$45,302	\$195,436	\$49,860	\$31,468	\$10,787	\$15,878	\$348,731
Median	\$22,165	\$145,020	\$33,862	\$23,046	\$7,166	\$13,208	\$244,467
% of Total*	13%	58%	15%	9%	3%	3%	100%
Total							
Average	\$34,509	\$201,739	\$44,512	\$27,672	\$10,285	\$11,094	\$329,810
Median	\$15,101	\$116,792	\$21,254	\$19,551	\$3,103	\$813	\$176,613
% of Total*	9%	64%	14%	9%	3%	2%	100%

Source: HVS

*The percentage of total is calculated based on the total sample of all budgets.

In addition to the survey data, we have also reviewed a selection of cost budgets from developers of comparable proposed hotels, as illustrated in the following table.

FIGURE 8-2 COMPARABLE COST BUDGETS

Item	Comp #1		Comp #2		Comp #3		Comp #4	
	Secondary, CA Limited-Service Approx. 80 Rooms		Secondary, CA Limited-Service Approx. 110 Rooms		Primary, CA Limited-Service Approx. 110 Rooms		Primary, CA Limited-Service Approx. 130 Rooms	
	Per Room	% of Total	Per Room	% of Total	Per Room	% of Total	Per Room	% of Total
Building	\$113,291	70.2 %	\$88,379	60.3 %	\$138,411	75.4 %	\$115,627	65.1 %
Soft Costs	29,501	18.3	39,301	26.8	23,577	12.8	28,762	16.2
Furniture, Fixtures, & Equipment	13,558	8.4	13,619	9.3	18,670	10.2	20,043	11.3
Pre-Opening Costs & Working Capital	5,101	3.2	5,338	3.6	2,857	1.6	7,237	4.1
Total (Excluding Site Cost)	\$161,451	89.9 %	\$146,637	77.2 %	\$183,515	81.8 %	\$177,670	87.4 %
Site Cost	\$18,080	10.1 %	\$43,333	22.8 %	\$40,952	18.2 %	\$25,600	12.6 %
Total (Including Site Cost)	\$179,531	100.0 %	\$189,970	100.0 %	\$224,467	100.0 %	\$203,270	100.0 %

Building and Site Improvements

Building and site improvements include all buildings and other relatively permanent structures located on, or attached to, the subject parcel. The cost of the improvements includes costs of materials, fees, and labor to construct the subject property's improvements. We estimate the development cost of the proposed subject property's improvements to be roughly \$120,000 per room, or a total of \$14,400,000.

Furniture, Fixtures and Equipment

Furniture, fixtures, and equipment (FF&E) include all non-permanent, removable items at the subject property, such as guestroom furnishings, kitchen equipment, and items of décor. The cost of the FF&E, along with all fees associated with the installation of such items, comprise the total cost of FF&E. Based on our understanding of the expected quality of furnishings, we have estimate the development cost of the proposed subject property's FF&E (as if new) at approximately \$17,000 per room, or a total of \$2,040,000.

Pre-Opening and Working Capital Costs

Pre-opening costs include expenses such as marketing, staffing, training, and administrative expenditures. Working capital includes a working capital reserve to maintain adequate cash flow until the operation reaches a break-even point. We estimate the pre-opening costs for the proposed subject property to be roughly \$4,000 per room, or a total of \$480,000.

Soft Costs

Soft costs include items other than labor and material that are necessary for construction but are not typically part of the construction contract. Soft costs can include professional fees, financing costs and the interest paid on construction

loans, taxes and the builder's or developer's all-risk insurance during construction, marketing, sales, and lease-up costs incurred to achieve occupancy or sales. We estimate the amount of soft costs for the proposed subject property to be approximately \$30,000 per room, or a total of \$3,600,000.

Developer's Fee

The developer's fee represents a recovery of costs to the project developer, including salaries, travel, administrative costs, and other expenses related to coordinating the development. It is separate from a developer's anticipated profit or entrepreneurial incentive. The developer's fee is typically dependent upon the complexity of project coordination and the length of the development timeline. In the case of relatively simple projects in markets with low barriers to entry, a developer's fee may not be considered, whereas complicated projects in high-barrier-to-entry markets may incur more substantial costs for coordination and administration during an extended planning and construction period. In some cases, the developer's administrative costs are included within other line items, rather than allocated to an individual developer's fee line item.

Cost Summary

Based on the preceding analysis, we estimate the development cost of the proposed subject property as follows.

FIGURE 8-3 COST SUMMARY

Item	Cost per Room	Cost
Building	\$120,000	\$14,400,000
Soft Costs	30,000	3,600,000
Furniture, Fixtures, & Equipment	17,000	2,040,000
Pre-Opening Costs & Working Capital	4,000	480,000
Developer Fee (if Applicable)	3,800	456,000
Total Replacement Cost	\$174,800	\$20,976,000

The following table presents a comparison of this budget to the comparable cost budgets presented previously.

FIGURE 8-4 SUBJECT COST VS COMPARABLE BUDGETS

Item	Minimum		Maximum		Average		Subject Property	
	Per Room	% of Total	Per Room	% of Total	Per Room	% of Total	Per Room	% of Total
Building	\$88,379	60.3 %	\$138,411	75.4 %	\$113,927	67.7 %	\$120,000	61.3 %
Soft Costs	23,577	12.8	39,301	26.8	30,285	18.5	30,000	15.3
Furniture, Fixtures, & Equipment	13,558	8.4	20,043	11.3	16,473	9.8	17,000	8.7
Pre-Opening Costs & Working Capital	2,857	1.6	7,237	4.1	5,133	3.1	4,000	2.0
Total (Excluding Site Cost)	\$146,637		\$183,515		\$167,318		\$174,800	89.4 %
Site Cost	\$18,080	10.1 %	\$43,333	22.8 %	31,991	15.9 %	\$20,833	10.6 %
Total (Including Site Cost)	\$164,716		\$226,848		\$199,310		\$195,633	100.0 %

Land Allocation

A portion of the overall development cost includes the cost of the land. The range of per-room land cost was illustrated in the previously presented cost-survey data; land cost typically ranges from 5% to 20% of overall development cost but may be substantially higher for premium locations in markets with high barriers to entry.

For the purposes of this study, we have assumed land allocation of \$2,500,000 , or approximately 10% of the hotel's estimated value at opening.

Conclusion

In the estimation of development cost for the proposed improvements, the costs of several components of the total property were quantified. The development cost was estimated based on a hotel development cost survey conducted by HVS. The following table summarizes our estimate of the total cost to develop the proposed subject property.

FIGURE 8-5 RECAP OF TOTAL COST ESTIMATE

Item	Cost per Room	Cost
Building	\$120,000	\$14,400,000
Soft Costs	30,000	3,600,000
Furniture, Fixtures, & Equipment	17,000	2,040,000
Pre-Opening Costs & Working Capital	4,000	480,000
Developer Fee (if Applicable)	3,800	456,000
Land Allocation	20,833	2,500,000
Total Cost New Estimate	\$195,633	\$23,476,000
Total Cost New Estimate (Rounded)	\$196,000	\$23,500,000

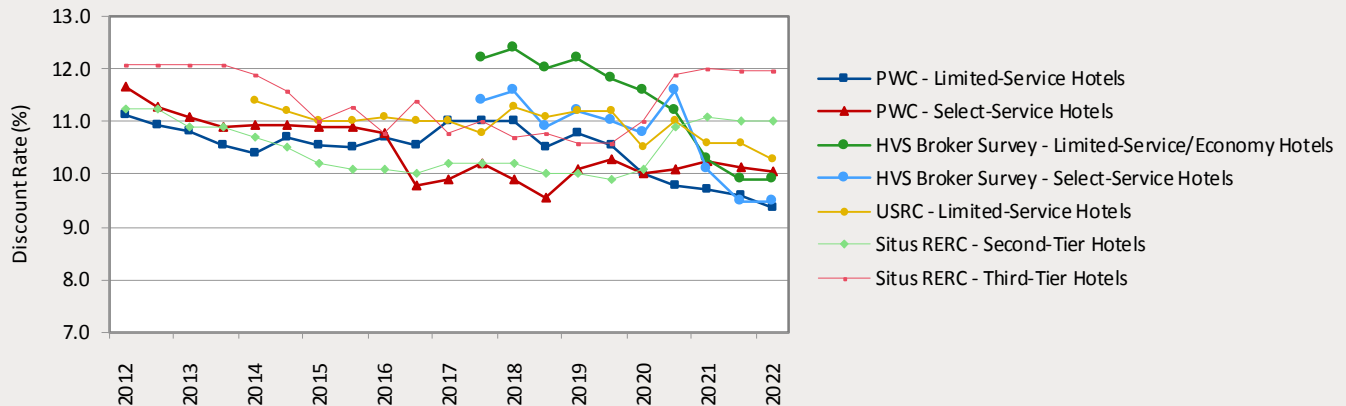
This estimate has been rounded to \$23,500,000.

Discounted Cash Flow Analysis

The process of converting the projected income stream into an estimate of value via the DCF method is described as follows.

1. An appropriate discount rate is selected to apply to the projected net income before debt service. This rate reflects the "free and clear" internal rate of return to an all-cash purchaser or a blended rate of debt and equity return requirements. The discount rate takes into consideration the degree of perceived risk, anticipated income growth, market attitudes, and rates of return on other investment alternatives, as well as the availability and cost of financing. The discount rate is chosen by reviewing sales transactions and investor surveys and interviewing market participants.
2. A reversionary value reflecting the sales price of the property at the end of the ten-year holding period is calculated by capitalizing the eleventh-year net income by the terminal capitalization rate and deducting typical brokerage and legal fees.
3. Each year's forecasted net income before debt service and depreciation and the reversionary sales proceeds at the end of the ten-year holding period are converted to a present value by multiplying the cash flow by the chosen discount rate for that year in the forecast. The sum of the discounted cash flows equates to the value of the subject property.

The following chart summarizes the averages presented for discount rates in various investor surveys during the past decade.

FIGURE 8-1 HISTORICAL TRENDS OF DISCOUNT RATES

FIGURE 8-2 OVERALL DISCOUNT RATES DERIVED FROM SALES AND INVESTOR SURVEYS

Source	Pre-COVID		Current	
	Data Point Range	Average	Data Point Range	Average
HVS Hotel Sales - Full-Service & Luxury	8% - 11.6%	9.8%	7.6% - 11.9%	9.5%
HVS Hotel Sales - Select-Service & Extended-Stay	7.6% - 12.7%	10.8%	7.6% - 12.7%	10.5%
HVS Hotel Sales - Limited-Service	9.5% - 13.9%	11.5%	10% - 12.8%	11.2%
<i>HVS Brokers Survey</i>	<i>Fall 2019 Survey</i>		<i>Fall 2021 Survey</i>	
Select-Service Hotels	8.0% - 18.0%	10.8%	5.0% - 12.0%	9.5%
Limited-Service & Economy Hotels	9.0% - 20.0%	11.6%	5.0% - 13.0%	9.9%
<i>PWC Real Estate Investor Survey</i>	<i>1st Quarter 2020 Survey</i>		<i>1st Quarter 2022 Survey</i>	
Select-Service Hotels	8.0% - 12.0%	10.0%	8.0% - 12.0%	10.1%
Limited-Service Hotels	7.5% - 12.0%	10.0%	7.0% - 11.0%	9.4%
<i>USRC Hotel Investment Survey</i>	<i>Winter 2020 Survey</i>		<i>Winter 2022 Survey</i>	
Limited-Service Hotels	7.5% - 11.0%	10.5%	9.5% - 11.0%	10.3%
<i>Situs RERC Real Estate Report</i>	<i>1st Quarter 2020 Report</i>		<i>4th Quarter 2021 Report</i>	
Second Tier Hotels	6.5% - 13.5%	10.1%	9.5% - 15.5%	11.0%
Third Tier Hotels	9.5% - 13.5%	11.0%	10.0% - 18.0%	12.0%

We note that the averages illustrated in the previous table are derived from wide arrays of data points, and a range of reasonableness extends both lower and higher than the indicated data points. Based on our review of these surveys and sales

transactions (see total property yields shown in the table titled *Sample of Hotels Sold*), as well as our interviews of market participants, we have selected a discount rate of 10.00% for our analysis.

Terminal Capitalization Rate

Inherent in this valuation process is the assumption of a sale at the end of the ten-year holding period. The estimated reversionary sale price as of that date is calculated by capitalizing the projected eleventh-year net income by an overall terminal capitalization rate. An allocation for the selling expenses is deducted from this sale price, and the net proceeds to the equity interest (also known as the equity residual) are calculated by deducting the outstanding mortgage balance from the reversion.

We have reviewed several recent investor surveys. The following chart summarizes the averages presented for terminal capitalization rates in various investor surveys during the past decade.

FIGURE 8-3 HISTORICAL TRENDS OF TERMINAL CAPITALIZATION RATES

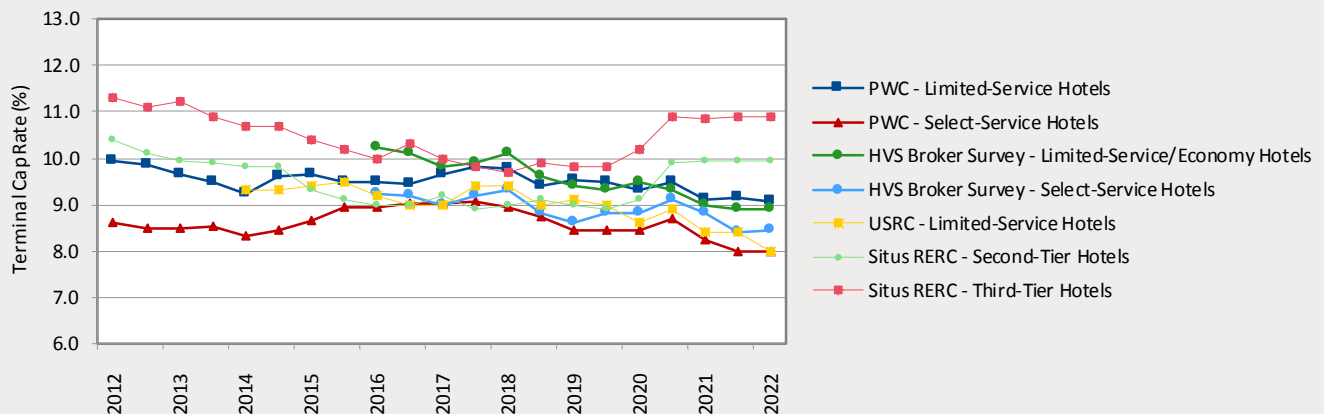


FIGURE 8-4 TERMINAL CAPITALIZATION RATES DERIVED FROM INVESTOR SURVEYS

Source	Pre-COVID		Current	
	Data Point Range	Average	Data Point Range	Average
<i>HVS Brokers Survey</i>	<i>Fall 2019 Survey</i>		<i>Fall 2021 Survey</i>	
Select-Service Hotels	7.5% - 12.0%	8.8%	6.5% - 10.0%	8.4%
Limited-Service & Economy Hotels	7.5% - 12.0%	9.5%	8.0% - 10.5%	8.9%
<i>PWC Real Estate Investor Survey</i>	<i>1st Quarter 2020 Survey</i>		<i>1st Quarter 2022 Survey</i>	
Select-Service Hotels	7.0% - 10.0%	8.4%	8.0% - 12.0%	8.0%
Limited-Service Hotels	7.75% - 12.0%	9.3%	7.0% - 11.0%	9.1%
<i>USRC Hotel Investment Survey</i>	<i>Winter 2020 Survey</i>		<i>Winter 2022 Survey</i>	
Limited-Service Hotels	6.5% - 9.3%	8.6%	7.0% - 9.2%	8.0%
<i>Situs RERC Real Estate Report</i>	<i>1st Quarter 2020 Report</i>		<i>4th Quarter 2021 Report</i>	
Second Tier Hotels	7.3% - 11.5%	9.1%	7.3% - 13.0%	9.9%
Third Tier Hotels	8.0% - 12.0%	10.2%	9.0% - 15.0%	10.9%

Furthermore, we have reviewed regional capitalization rates presented in the following table.

FIGURE 8-5 REGIONAL TERMINAL CAPITALIZATION RATES

Property	Location	Year Open	Date of Sale	Sale Price	Number of Rooms	Price Per Room	Cap Rate
Fairfield by Marriott San Diego Old Town	San Diego, CA	1988	Dec-21	\$27,836,000	123	\$226,309	8.4 %
Courtyard by Marriott San Diego Old Town	San Diego, CA	1987	Dec-21	44,164,000	176	250,932	8.1
Residence Inn by Marriott Cypress Los Alamitos	Los Alamitos, CA	2002	Sep-21	42,193,992	165	272,219	6.8
Holiday Inn Express Hotel & Suites Otay Mesa	San Diego, CA	2007	Jun-21	16,250,000	99	164,040	6.1
Hilton Garden Inn Arcadia Pasadena	Arcadia, CA	1999	Feb-20	20,165,000	124	162,621	8.4
SpringHill Suites by Marriott Corona Riverside	Corona, CA	2009	Jul-19	21,000,000	130	161,538	8.4
Hampton by Hilton Santa Barbara Goleta	Goleta, CA	2007	Apr-19	28,550,000	101	282,673	7.8
Hyatt Place Los Angeles/LA X/El Segundo	El Segundo, CA	2012	Feb-19	44,500,000	143	311,189	7.3
Residence Inn by Marriott Anaheim Hills Yorba Linda	Anaheim Hills, CA	1980	Jan-19	25,333,333	128	197,917	8.0
Comfort Suites near Six Flags Magic Mountain	Stevenson Ranch, CA	1997	Jun-18	17,000,000	100	170,000	7.2
Average							7.7 %

For purposes of this analysis, we have applied a terminal capitalization rate of 8.50%.

Utilizing the discount rate and terminal capitalization rate set forth, the DCF procedure is summarized as follows. Due to the subject property's California location and the higher property tax implications upon the sale at the end of the

hold, the terminal capitalization rate is loaded with the tax rate and is applied to the NOI estimate prior to property taxes.

FIGURE 8-6 “WHEN COMPLETE” DISCOUNTED CASH FLOW ANALYSIS

Stabilized Year	3				
Discount Rate	10.0 %				
Loaded Terminal Cap	9.6				
Transaction Costs	3.0				
Year	Net Income, Before Taxes	Property Taxes	Net Income, After Taxes	Discount Factor 10.0	Discounted Cash Flow
2025	\$1,923,078	\$287,091	\$1,635,987	0.90909	\$1,487,261
2026	2,214,387	292,833	1,921,554	0.82645	1,588,061
2027	2,409,399	298,689	2,110,710	0.75131	1,585,807
2028	2,481,034	304,663	2,176,371	0.68301	1,486,491
2029	2,556,104	310,757	2,245,348	0.62092	1,394,184
2030	2,632,180	316,972	2,315,208	0.56447	1,306,875
2031	2,711,145	323,311	2,387,834	0.51316	1,225,337
2032	2,792,480	329,777	2,462,702	0.46651	1,148,869
2033	2,876,254	336,373	2,539,881	0.42410	1,077,158
2034	2,962,542	343,100	33,325,932 *	0.38554	12,848,590
Estimated Market Value					\$25,148,631
(SAY)					\$25,100,000
Per Room					210,000
Reversion Analysis					
11th Year's EBITDA Less Reserves (not Capitalization Rate (loaded with tax rate))					\$3,051,418
					9.6%
Total Sales Proceeds					\$31,656,176
Less: Transaction Costs @ 3.0%					949,685
Net Sales Proceeds (Say)					30,706,491

*10th year NOI after taxes, plus the reversionary value.

FIGURE 8-7 “WHEN STABILIZED” DISCOUNTED CASH FLOW

Stabilized Year	3
Discount Rate	10.0 %
Loaded Terminal Cap	9.6
Transaction Costs	3.0

Year	Net Income, Before Taxes	Property Taxes	Net Income, After Taxes	Discount Factor 10.0	Discounted Cash Flow
2027	\$2,409,399	\$308,737	\$2,100,662	0.90909	\$1,909,693
2028	2,481,681	314,911	2,166,770	0.82645	1,790,719
2029	2,556,131	321,210	2,234,922	0.75131	1,679,130
2030	2,632,815	327,634	2,305,182	0.68301	1,574,470
2031	2,711,800	334,187	2,377,613	0.62092	1,476,311
2032	2,793,154	340,870	2,452,284	0.56447	1,384,250
2033	2,876,948	347,688	2,529,261	0.51316	1,297,911
2034	2,963,257	354,641	2,608,615	0.46651	1,216,938
2035	3,052,155	361,734	2,690,420	0.42410	1,141,001
2036	3,143,719	368,969	35,359,131 *	0.38554	13,632,476

Estimated Market Value	\$27,102,898
(SAY)	\$27,100,000
Per Room	225,833

Reversion Analysis

11th Year's EBITDA Less Reserves (not includi	\$3,238,031
Capitalization Rate (loaded with tax rate)	9.6%

Total Sales Proceeds	\$33,592,145
Less: Transaction Costs @ 3.0%	1,007,764
Net Sales Proceeds (Say)	32,584,381

*10th year NOI after taxes, plus the reversionary value.

Conclusion

In determining the potential feasibility of the Proposed Murrieta Hotel, we analyzed the lodging market, researched the area's economics, reviewed the estimated development cost, and prepared a ten-year forecast of income and expense, which was based on our review of the current and historical market conditions, as well as comparable income and expense statements.

Based on our market analysis, there is sufficient market support for the development of a limited-service hotel in Murrieta over the long term. Based on the current market-appropriate discount rate and terminal capitalization rate, the present value of the cash flows at opening is \$25,100,000. In order for the

development of a proposed limited-service hotel to remain feasible, the all-in development costs for the project should remain below this amount. Our conclusions are based primarily on the long-term strength of this hotel market, and the data suggest that sufficient demand should return to support the development of the proposed hotel by both the opening and stabilized years.

The analysis is based on the extraordinary assumption that the described improvements have been completed as of the stated date of opening. The reader should understand that the completed subject property does not yet exist as of the date of this report. Our feasibility study does not address unforeseeable events that could alter the proposed project, and/or the market conditions reflected in the analyses; we assume that no significant changes, other than those anticipated and explained in this report, shall take place between the date of inspection and stated date of opening. The use of this extraordinary assumption may have affected the assignment results. We have made no other extraordinary assumptions specific to this feasibility study. However, several important general assumptions have been made that apply to this feasibility study and our studies of proposed hotels in general. These aspects are set forth in the Assumptions and Limiting Conditions chapter of this report.

9. Statement of Assumptions and Limiting Conditions

1. This report is set forth as a feasibility study of the proposed subject hotel; this is not an appraisal report.
2. This report is to be used in whole and not in part.
3. No responsibility is assumed for matters of a legal nature, nor do we render any opinion as to title, which is assumed marketable and free of any deed restrictions and easements. The property is evaluated as though free and clear unless otherwise stated.
4. We assume that there are no hidden or unapparent conditions of the sub-soil or structures, such as underground storage tanks, that would affect the property's development potential. No responsibility is assumed for these conditions or for any engineering that may be required to discover them.
5. We have not considered the presence of potentially hazardous materials or any form of toxic waste on the project site. We are not qualified to detect hazardous substances and urge the client to retain an expert in this field if desired.
6. The Americans with Disabilities Act (ADA) became effective on January 26, 1992. We have assumed the proposed hotel would be designed and constructed to be in full compliance with the ADA.
7. We have made no survey of the site, and we assume no responsibility in connection with such matters. Sketches, photographs, maps, and other exhibits are included to assist the reader in visualizing the property. It is assumed that the use of the described real estate will be within the boundaries of the property described, and that no encroachment will exist.
8. All information, financial operating statements, estimates, and opinions obtained from parties not employed by TS Worldwide, LLC are assumed true and correct. We can assume no liability resulting from misinformation.
9. Unless noted, we assume that there are no encroachments, zoning violations, or building violations encumbering the subject site.
10. The property is assumed to be in full compliance with all applicable federal, state, local, and private codes, laws, consents, licenses, and regulations (including the appropriate liquor license if applicable), and that all licenses, permits, certificates, franchises, and so forth can be freely renewed or transferred to a purchaser.

11. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless specified otherwise.
12. None of this material may be reproduced in any form without our written permission, and the report cannot be disseminated to the public through advertising, public relations, news, sales, or other media.
13. We are not required to give testimony or attendance in court because of this analysis without previous arrangements and shall do so only when our standard per-diem fees and travel costs have been paid prior to the appearance.
14. If the reader is making a fiduciary or individual investment decision and has any questions concerning the material presented in this report, it is recommended that the reader contact us.
15. We take no responsibility for any events or circumstances that take place subsequent to the date of our field inspection.
16. The quality of a lodging facility's onsite management has a direct effect on a property's economic viability. The financial forecasts presented in this analysis assume responsible ownership and competent management. Any departure from this assumption may have a significant impact on the projected operating results.
17. The financial analysis presented in this report is based upon assumptions, estimates, and evaluations of the market conditions in the local and national economy, which may be subject to sharp rises and declines. Over the projection period considered in our analysis, wages and other operating expenses may increase or decrease because of market volatility and economic forces outside the control of the hotel's management. We assume that the price of hotel rooms, food, beverages, and other sources of revenue to the hotel will be adjusted to offset any increases or decreases in related costs. We do not warrant that our estimates will be attained, but they have been developed based upon information obtained during the course of our market research and are intended to reflect the expectations of a typical hotel investor as of the stated date of the report.
18. This analysis assumes continuation of all Internal Revenue Service tax code provisions as stated or interpreted on either the date of value or the date of our field inspection, whichever occurs first.
19. Many of the figures presented in this report were generated using sophisticated computer models that make calculations based on numbers carried out to three or more decimal places. In the interest of simplicity, most numbers have been rounded to the nearest tenth of a percent. Thus, these figures may be subject to small rounding errors.

20. It is agreed that our liability to the client is limited to the amount of the fee paid as liquidated damages. Our responsibility is limited to the client; the use of this report by third parties shall be solely at the risk of the client and/or third parties. The use of this report is also subject to the terms and conditions set forth in our engagement letter with the client.
21. Evaluating and comprising financial forecasts for hotels is both a science and an art. Although this analysis employs various mathematical calculations to provide value indications, the final forecasts are subjective and may be influenced by our experience and other factors not specifically set forth in this report.
22. This study was prepared by TS Worldwide, LLC. All opinions, recommendations, and conclusions expressed during the course of this assignment are rendered by the staff of TS Worldwide, LLC as employees, rather than as individuals.

10. Certification

The undersigned hereby certify that, to the best of our knowledge and belief:

1. the statements of fact presented in this report are true and correct;
2. the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions;
3. we have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved;
4. we have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
5. our engagement in this assignment was not contingent upon developing or reporting predetermined results;
6. our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined result or direction in performance that favors the cause of the client, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this study;
7. our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice;
8. Luigi Major, MAI, and Marcus R. Lee personally inspected the property described in this report;
9. both Luigi Major, MAI, and Marcus Lee have performed one feasibility study on the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment;
10. the reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute;
11. the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives; and

12. as of the date of this report, Luigi Major, MAI, has completed the continuing education program for Designated Members of the Appraisal Institute.



Marcus R. Lee
Director
TS Worldwide, LLC
State Appraiser License (CA) 3006899



Luigi Major, MAI
Managing Director
TS Worldwide, LLC
State Appraiser License (CA) 3005056

Marcus R. Lee

EMPLOYMENT

<i>Nov 2016 to present</i>	HVS CONSULTING AND VALUATION SERVICES Los Angeles, California
<i>Jan – Oct 2016</i>	THE JEFFERSON HOTEL Washington, D.C.
<i>Sept 2014 – Jan 2016</i>	CAPELLA WASHINGTON D.C., GEORGETOWN Washington, D.C.
<i>2014</i>	THE RITZ-CARLTON GEORGETOWN Washington, D.C.
<i>2013</i>	FOUR SEASONS WASHINGTON DC Washington, D.C.
<i>2013</i>	INTERNATIONAL MONETARY FUND Washington, D.C.
<i>2012</i>	OFFICE OF U.S. CONGRESSMAN BLAINE LUETKEMEYER Washington, D.C.
<i>2012</i>	THE CENTER FOR SOCIO-ECONOMIC DEVELOPMENT Geneva, Switzerland

EDUCATION AND OTHER TRAINING

BA – Frederick S. Pardee School of Global Studies, Boston University
MS (Hospitality and Tourism) – School of Business, The George Washington University

Other Specialized Training Classes Completed:

Basic Appraisal Principles – 30 hours
Basic Appraisal Procedures – 30 hours
Uniform Standards of Professional Appraisal Practice (USPAP) – 15 hours
General Appraiser Income Approach (Parts I and II) – 60 hours
General Appraiser Market Analysis and HBU – 30 hours
General Appraiser Site Valuation and Cost Approach – 30 hours
General Appraiser Sales Comparison Approach – 30 hours
Real Estate Finance, Statistics, Valuation Modeling – 15 hours

**EDUCATION
(CONTINUED)**

General Appraiser Report Writing and Case Studies – 30 hours
 Appraisal Electives – 20 hours
 CA Supervisor/Trainee – 4 hours
 CA Law – 2 hours
 Expert Witness for Commercial Appraisers – 15 hours

STATE CERTIFICATIONS

California

PUBLISHED ARTICLES

<i>HVS Journal</i>	"COVID-19's Impact on the San Diego Lodging Market," November 2020
<i>HVS Journal</i>	"HVS Market Pulse: San Diego, CA," March 2019
<i>HVS Journal</i>	"Market Pulse: Orange County Beaches, CA," September 2018
<i>HVS Journal</i>	"Market Pulse: Annapolis, MD," co-authored with Chelsey Leffet, April 2018
<i>HVS Journal</i>	"HVS Market Pulse: Richmond, VA," July 2017
<i>Handbook of Research on Global Hospitality and Tourism Management</i>	"Lesotho, a tourism destination: An analysis of Lesotho's current tourism products and potential for growth." Angelo A. Camillo (editor), IGI Global Publ., Hershey, PA, 2015

EXAMPLES OF PROPERTIES APPRAISED OR EVALUATED**PORTFOLIO WORK**

7 Motel 6 Properties, Southern California
 10 Extended Stay America Hotels, Southern California

ARIZONA

Hampton Inn Phoenix Chandler, Chandler
 Proposed Hotel near Gilbert Heritage District, Gilbert
 Hotel San Carlos, Phoenix
 Proposed Hampton Inn at Metro Center, Phoenix
 Proposed Hotel Phoenix, Phoenix
 Proposed La Quinta Inn & Suites McDowell Road, Phoenix
 Red Roof Inn Phoenix Bell Road, Phoenix
 Holiday Inn Hotel & Suites Scottsdale North Airpark, Scottsdale
 Proposed Ceasars Hotel at Scottsdale Fashion Square, Scottsdale

ARKANSAS

Residence Inn by Marriott Little Rock Downtown, Little Rock

CALIFORNIA

Proposed Hotel Adelanto, Adelanto
 Courtyard by Marriott Thousand Oaks Agoura Hills, Agoura Hills
 Candlewood Suites Anaheim - Resort Area, Anaheim
 Embassy Suites by Hilton Anaheim North, Anaheim
 Holiday Inn & Suites Anaheim (1 Blk/Disneyland), Anaheim
 Holiday Inn Anaheim Disneyland, Anaheim

Embassy Suites Arcadia Pasadena, Arcadia
 Proposed Hilton at The Source, Buena Park
 Carmel Resort Inn, Carmel
 DoubleTree by Hilton Golf Resort Palm Springs Area, Cathedral City
 Proposed The GlenRoy, Coachella
 Residence Inn San Diego Chula Vista, Chula Vista
 Proposed Everhome Suites, Corona
 SpringHill Suites by Marriott Corona Riverside, Corona
 Courtyard by Marriott Los Angeles Westside, Culver City
 DoubleTree Suites by Hilton Hotel Doheny Beach Dana Point, Dana Point
 Proposed Hilton Garden Inn UC Davis, Davis
 Courtyard by Marriott San Diego El Cajon, El Cajon
 Yosemite Cedar Lodge, El Portal
 Yosemite View Lodge, El Portal
 Embassy Suites by Hilton Anaheim South, Garden Grove
 Hampton Inn & Suites Los Angeles Glendale, Glendale
 Proposed Caption by Hyatt, Hollywood
 Paséa Hotel & Spa, Huntington Beach
 Miramonte Indian Wells Resort & Spa
 Curio Collection by Hilton, Indian Wells
 Pacific Edge Hotel, Laguna Beach
 Proposed Hotel Lathrop Towne Centre, Lathrop
 Hilton Garden Inn Lompoc, Lompoc
 Proposed Breakers Hotel Long Beach, Long Beach
 Residence Inn by Marriott Cypress Los Alamitos, Los Alamitos
 Marriott Los Angeles Airport, Los Angeles
 Proposed Found Santa Monica, Los Angeles
 Proposed Spring Street Hotel, Los Angeles

Proposed Tommie Hotel, Los Angeles
 Proposed Unscripted Hotel, Los Angeles
 Thompson Hollywood, Los Angeles
 Proposed Murrieta Hotel, Murrieta
 Proposed Hampton Inn, Needles
 Hyatt Regency, Newport Beach
 Proposed Oakland Hotel, Oakland
 Proposed Cambria Hotel Ontario, Ontario
 Embassy Suites by Hilton Palm Desert, Palm Desert
 Holiday House, Palm Springs
 Proposed Andaz Palm Springs, Palm Springs
 Proposed BODE: Palm Springs, Palm Springs
 Courtyard by Marriott, Palmdale
 Residence Inn by Marriott, Palmdale
 Proposed Hotel Perris, Perris
 Proposed Hotel at The River Mall, Rancho Mirage
 Courtyard by Marriott San Diego Downtown, San Diego
 DoubleTree by Hilton San Diego Del Mar, San Diego
 Holiday Inn Express San Diego Downtown, San Diego
 Lafayette Hotel Swim Club & Bungalows, San Diego
 The Monsaraz Inn, Tapestry Collection by Hilton, San Diego
 Proposed Hampton Inn San Diego, San Diego
 Proposed Hotel San Diego, San Diego
 San Diego Marriott Del Mar, San Diego
 SpringHill Suites by Marriott San Diego Mission Valley, San Diego
 Proposed Home2 Suites, San Marcos
 Crowne Plaza Los Angeles Harbor, San Pedro
 Embassy Suites Santa Ana Orange County Airport North, Santa Ana
 Ambrose Hotel, Santa Monica
 Proposed Hilton Garden Inn, Simi Valley

Wine Valley Inn & Cottages Solvang,
Solvang
Proposed Hotel Sonora, Sonora
Sonora Inn, Sonora
Embassy Suites Temecula Valley Wine
Country, Temecula
Hotel Erwin, Venice Beach
Pierpont Inn Ventura, Ventura
Fairfield by Marriott Visalia Sequoia,
Visalia
Proposed Hyatt Place, Walnut Creek
Holiday Inn West Covina, West Covina

COLORADO

SpringHill Suites Denver Tech Center,
Greenwood Village
Proposed The Pad Hostel, Silverthorne

DISTRICT OF COLUMBIA

Avery Georgetown
Hampton Inn & Suites Washington DC
Navy Yard

GEORGIA

Proposed Hotel, Hapeville
Hotel Indigo Savannah Historic
District, Savannah

INDIANA

Clarion Hotel & Conference Center,
Indianapolis

MARYLAND

Hampton Inn & Suites
Baltimore/Aberdeen, Aberdeen
La Quinta Inn, Aberdeen
Proposed Fairfield Inn & Suites,
Aberdeen
Proposed TownePlace Suites by
Marriott, Belcamp
Days Inn & Suites, Cambridge
Super 8, Havre de Grace

Cambria Hotel & Suites, Rockville
Holiday Inn Express, Waldorf

MAINE

Budget Traveler Motor Lodge, Presque
Isle

MISSOURI

AC Hotels by Marriott Kansas City
Westport, Kansas City

NEW JERSEY

Brick Motor Inn, Brick
Ramada Inn Wayne Fairfield, Wayne
Econo Lodge, Elmira

NEW YORK

La Quinta Inn & Suites, Batavia
Holiday Inn Express, Grand Island
Budget Inn, Huntington
Crowne Plaza, Suffern

OHIO

Super 8, Coshocton
Motel 6, Grove City
Motel 6 Canton, North Canton

PENNSYLVANIA

Red Roof Inn, Chambersburg
Hampton Inn, Clarion
Comfort Inn Cranberry Township,
Mars
Hampton Inn Pittsburgh Monroeville,
Monroeville
Rodeway Inn, York

TEXAS

Proposed Autograph Collection Trinity
Groves, Dallas

Sheraton Fort Worth Downtown Hotel,
Fort Worth
SpringHill Suites by Marriott Fort
Worth University, Fort Worth
La Quinta Inn & Suites Houston
Magnolia, Magnolia

UTAH

Comfort Inn & Suites Salt Lake City
Airport, Salt Lake City
Tru by Hilton Salt Lake City Airport,
Salt Lake City

VIRGINIA

Indian Hills Interstate Inn, Colonial
Heights
Proposed Hampton Inn & Suites,
Culpeper
SpringHill Suites by Marriott Fairfax
Fair Oaks, Fairfax
Candlewood Suites Richmond West
End Short Pump, Glen Allen
Hyatt Place Richmond Innsbrook Glen
Allen, Glen Allen
Hampton Inn Norfolk/Naval Base,
Norfolk
Hyatt House Richmond West,
Richmond
Hyatt Place Richmond Arboretum,
Richmond
Suburban Extended Stay Northwest,
Richmond
Hyatt House Sterling/Dulles Airport-
North, Sterling

WEST VIRGINIA

Comfort Suites Bridgeport Clarksburg,
Bridgeport
Proposed Best Western, Morgantown



Business, Consumer Services & Housing Agency
BUREAU OF REAL ESTATE APPRAISERS
REAL ESTATE APPRAISER LICENSE

Marcus R. Lee

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

“Certified General Real Estate Appraiser”

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: 3006899

Effective Date: November 12, 2020

Date Expires: November 11, 2022

Loretta Dillon, Deputy Bureau Chief, BREA

3055861

Luigi Major, MAI

EMPLOYMENT

2007 to present

HVS CONSULTING AND VALUATION SERVICES
Los Angeles, California

EDUCATION AND OTHER TRAINING

BS – Hotel & Restaurant Management, University of Houston

Other Specialized Training Classes Completed:

Uniform Standards of Professional Appraisal Practice – 15 hours

Basic Appraisal Procedures – 30 hours

Basic Appraisal Principles – 30 hours

General Appraiser Income Approach (Parts I and II) – 60 hours

General Appraiser Sales Comparison Approach – 30 hours

General Appraiser Market Analysis and HBU – 30 hours

General Appraiser Site Valuation and Cost Approach – 30 hours

General Appraiser Report Writing and Case Studies – 30 hours

Business Practices and Ethics – 7 hours

Statistics, Modeling and Finance – 15 hours

Advanced Income Capitalization – 40 hours

Advanced Sales Comparison & Cost Approach – 40 hours

Report Writing and Valuation Analysis – 40 hours

Advanced Applications – 40 hours

Fundamentals of Separating Real, Personal Property, and Intangible Business Assets – 15 hours

General Demonstration Report Writing

The Appraiser as an Expert Witness: Preparation and Testimony – 16 hours

California Law – 4 hours

Mortgage Fraud – Protect Yourself – 7 hours

Supervisor Trainee Course for Texas – 7 hours

Appraisal of Land Subject to Ground Lease – 7 hours

Basic Hotel Appraising – 7 hours

Advanced Hotel Appraising – 7 hours

Appraisal of Land Subject to Ground Lease – 7 hours

CA Supervisor/Trainee – 4 hours

The Dirty Dozen – 3 hours

EDUCATION (CONTINUED)

Income Approach – 7 hours
 Small Hotel/Motel Valuation – 7 hours
 NV Law – 3 hours
 Basics of Expert Witness – 7 hours
 Appraisal of Owner-Occupied Commercial Properties – 7 hours
 CA Law – 4 hours
 Appraisal of REO and Foreclosed Properties – 7 hours
 Biennial USPAP Updates

STATE CERTIFICATIONS

Arizona, California, Hawaii, Nevada, Texas

PROFESSIONAL AFFILIATIONS

Appraisal Institute – Designated Member (MAI)

PUBLISHED ARTICLES

<i>HVS Journal</i>	"COVID-19's Impact on the Los Angeles Hotel Market," April 2021
<i>HVS Journal</i>	"U.S. Hotel Development Cost Survey 2020," October 2020
<i>HVS Journal</i>	"Impact of COVID-19 on the Tucson Hotel Market," July 2020
<i>HVS Journal</i>	"Impact of COVID-19 on Los Angeles & Southern California Hotel Markets," April 2020
<i>HVS Journal</i>	"U.S. Hotel Development Cost Survey 2018/19," September 2019
<i>HVS Journal</i>	"Market Pulse: Los Angeles, CA," March 2019
<i>HVS Journal</i>	"HVS Hotel Development Cost Survey 2017/18," November 2018
<i>HVS Journal</i>	"Blurred Lines between Hotels and Airbnb," September 2018
<i>HVS Journal</i>	"Market Pulse: Palm Springs & Desert Cities," February 2018
<i>HVS Journal</i>	"Top 6 Hotel Success Factors," August 2017
<i>HVS Journal</i>	"In Focus: Houston, Texas," February 2016
<i>HVS Journal</i>	"Four Key Takeaways: Meet the Money 2015," co-authored with Li Chen and Susan Furbay, May 2015
<i>HVS Journal</i>	"In Focus: Houston, Texas," co-authored with Yimei Tang, July 2014
<i>HVS Journal</i>	"Effects of Major Renovations on Hotel Market Penetration and Net Present Value," February 2014

<i>HVS Journal</i>	"HVS Market Intelligence Report 2013: Houston," June 2013
<i>HVS Journal</i>	"HVS Market Intelligence Report: Houston Hotels in 2012," April 2012
<i>HVS Journal</i>	"HVS Report: Foreign Direct Investment, Commercial Real Estate, and Hotel Development in Mexico City." Co-authored by Raul Duarte and Richard Katzman, February 2011
<i>HVS Journal</i>	"San Miguel de Allende – A Beacon for the Tourism Potential of Colonial Towns and Villages," January 2009
<i>HVS Journal</i>	"Mexico's Growing Trend: Master-Planned Resort-Residential Communities," November 2008
<i>HVS Journal</i>	"Guadalajara – Preparing for the Future," May 2008
<i>HVS Journal</i>	"HVS Market Intelligence Report: San Juan, Puerto Rico," November 2007
<i>HVS Journal</i>	"HVS Market Intelligence Report: Liberia, Costa Rica," September 2007

EXAMPLES OF PROPERTIES APPRAISED OR EVALUATED

PORTFOLIO ANALYSIS

Portfolio of 6 Embassy Suites Hotels, Various Locations
 Portfolio of 5 Proposed Hotels, Colombia
 Ladder Capital Portfolio of 6 Hotels, Colorado and Texas
 Ladder Capital Package of 4 Hotels, Texas
 Portfolio of 8 Embassy Suites Hotels, Various Locations
 Lone Star Portfolio of 38 Hyatt Hotels, Various Locations
 Portfolio of 13 Hotels for JPMorgan Chase, Texas and New Mexico
 Portfolio of 5 Extended-Stay Hotels throughout the South
 Portfolio of 3 Hotels, San Diego
 Portfolio of 2 Full-Service Hotels, Houston
 Portfolio of 8 Marriott or Embassy Suites Hotels, California and Nevada
 Portfolio of 2 Proposed Hotels, Mesa, Arizona
 Portfolio of 2 Ayres Hotels, Southern California
 Portfolio of 2 Hotels, Beverly Hills
 Portfolio of 3 Proposed Hotels, Western U.S.
 Portfolio of 4 Closed Full-Service Hotels
 Portfolio of 9 Hotels for Blue Torch Capital
 Portfolio of 2 Proposed Resorts, La Quinta, California

ALABAMA

Hampton Inn, Birmingham
 City Lodge, Florence
 Holiday Inn, Hoover
 Hampton Inn, Pell City

ARIZONA

Home2 Suites by Hilton Phoenix Avondale, Avondale
 Proposed EVEN Hotel Avondale, Avondale
 Proposed Home2 Suites by Hilton, Avondale
 Home2 Suites by Hilton Buckeye Phoenix, Buckeye
 Proposed Dual-Branded TownePlace Suites and Fairfield Inn, Buckeye
 Proposed Hotel, Campe Verde
 Holiday Inn, Casa Grande
 Proposed Limited-Service Hotel at the Promenade, Casa Grande
 Proposed Holiday Inn Flagstaff, Flagstaff
 Proposed Hotel near Gilbert Heritage District, Gilbert
 Proposed SpringHill Suites by Marriott, Lake Havasu
 Proposed Hotel near Harrah's Ak-Chin Casino, Maricopa
 Proposed La Quinta Maricopa, Maricopa
 Proposed Hotel, Mesa
 Proposed Hotel near Phoenix Mesa Gateway Airport, Mesa
 Proposed Resort Page, Page
 Courtyard Phoenix Airport, Phoenix
 Four Points by Sheraton Phoenix North, Phoenix
 Proposed Dual-Brand AC/Element, Phoenix
 Proposed Hampton Inn at Metro Center, Phoenix
 Proposed Holiday Inn Express & Suites - Phoenix Airport North, Phoenix
 Proposed Home2 Suites by Hilton Phoenix Airport North, Phoenix
 Proposed Hotel at Park Central Mall, Phoenix
 Proposed Hotel Central Station, Phoenix
 Proposed Hyatt Place Downtown Phoenix, Phoenix

Proposed La Quinta - Banner-University Medical Center, Phoenix
 Proposed La Quinta Inn & Suites McDowell Road, Phoenix
 Proposed Marriott Tribute, Phoenix
 Proposed Midtown Hotel, Phoenix
 Proposed WoodSpring Suites Happy Valley, Phoenix
 Ramada, Phoenix
 Red Roof Inn Phoenix Bell Road, Phoenix
 Residence Inn by Marriott at Mayo Clinic, Phoenix
 Proposed Quartzsite Limited-Service Hotel, Quartzsite
 Proposed Hotel, Queen Creek
 Proposed Hotel, Rancho Sahuarita
 Navajoland Inn & Suites / Saint Michaels Arizona, Saint Michaels
 Proposed Ceasars Hotel at Scottsdale Fashion Square, Scottsdale
 Proposed Hilton Hotel at Cavasson, Scottsdale
 Proposed Holiday Inn, Scottsdale
 Proposed Hyatt Place and Hyatt House Dual-Branded Hotel, Scottsdale
 Talking Stick Resort, Scottsdale
 Las Posadas of Sedona, Sedona
 Aloft, Tempe
 Comfort Suites Airport, Tempe
 MOXY Phoenix Tempe/ASU Area, Tempe
 Proposed Full-Service Hotel, Tempe
 Proposed Hilton Tempe, Tempe
 Proposed Residence Inn by Marriott, Tempe
 Proposed Westin Tempe, Tempe
 Proposed Best Western, Topock
 Four Points by Sheraton Tucson Airport, Tucson
 La Posada Lodge & Casitas Ascend Hotel Collection, Tucson
 Proposed Graduate Hotel Tucson, Tucson
 Proposed Hotels at the Marketplace, Tucson

Radisson Suites, Tucson
 Sheraton Hotel & Suites Tucson,
 Tucson
 Westin La Paloma Resort & Spa,
 Tucson
 Proposed Grand Canyon Resort,
 Tusayan
 Grand Canyon Railway Hotel,
 Williams

ARKANSAS

Proposed Hotel, Fairfield Bay
 Proposed Hotel, Hot Springs
 La Quinta Inn & Suites, Russellville

CALIFORNIA

Proposed Hotel Adelanto, Adelanto
 Proposed Holiday Inn Express
 Alameda, Alameda
 Alhambra Inn & Suites, Alhambra
 Fremont Inn, Alhambra
 Proposed Hotel American Canyon,
 American Canyon
 Candlewood Suites Anaheim - Resort
 Area, Anaheim
 Four Points by Sheraton, Anaheim
 Gaia Hotel & Spa, Anderson
 Apple Valley Lodge, Apple Valley
 Best Western, Bakersfield
 Proposed Best Western Bakersfield,
 Bakersfield
 Proposed Staybridge Suites,
 Bakersfield
 Holiday Inn Express Hotel & Suites
 Barstow Outlet Center, Barstow
 Proposed Dual-Branded Marriott,
 Barstow
 Quality Inn & Suites Santa Cruz
 Mountains Ben Lomond, Ben
 Lomond
 Hampton Inn & Suites Buellton/Santa
 Ynez Valley, Buellton
 Proposed Aloft Buena Park, Buena
 Park
 Proposed Hilton at the Source, Buena
 Park
 Proposed Stanford Hotel, Buena Park

The Hotel at the Source, Buena Park
 Quality Inn Burbank, Burbank
 Radisson Suites Buena Park, Buena
 Park
 Proposed Cabazon Glamping
 Recreation Center, Cabazon
 Cape Rey Carlsbad a Hilton Resort,
 Carlsbad
 Proposed Beach Village Hotel Day Spa
 Condo Project, Carlsbad
 DoubleTree by Hilton Golf Resort
 Palm Springs Area, Cathedral City
 Staybridge Suites Cathedral City Golf
 Resort, Cathedral City
 Proposed Gaylord Pacific Resort &
 Convention Center, Chula Vista
 Proposed The GlenRoy, Coachella
 Motel 6 Coalinga East, Coalinga
 Proposed Everhome Suites Corona,
 Corona
 Blue Lantern Inn, Dana Point
 Proposed Boutique Hotel, Diablo
 Grande
 Proposed Hampton Inn, Diamond Bar
 Proposed Select Service Hotel
 Downey, Downey
 Proposed Home 2 Suites by Hilton, El
 Centro
 Proposed Residence Inn El Centro, El
 Centro
 Proposed Hotel El Dorado Hills, El
 Dorado Hills
 Holiday Inn Express, Elk Grove
 Proposed Candlewood Suites, Elk
 Grove
 Hyatt Place, Emeryville
 Proposed Home2 Suites by Hilton,
 Fairfield
 La Quinta Inn & Suites, Fresno
 San Joaquin Hotel, Fresno
 Proposed Tapestry Collection by
 Hilton Fullerton, Fullerton
 Hampton Inn, Goleta
 Holiday Inn Express, Grover Beach
 Home2 Suites by Hilton Hanford
 Lemoore, Hanford
 Proposed Home2 Suites, Hanford

Proposed Dual-Branded Hotel,
 Hawthorne
 TownePlace Suites by Marriott Los
 Angeles LAX Hawthorne,
 Hawthorne
 Proposed Hotel, Hermosa Beach
 Godfrey Hotel Hollywood, Hollywood
 Proposed Kokoro Wellness Resort,
 Howard Springs
 Paséa Hotel & Spa, Huntington Beach
 Miramonte Indian Wells Resort & Spa
 Curio Collection by Hilton, Indian
 Wells
 Irvine Marriott, Irvine
 Holiday Inn San Diego La Mesa, La
 Mesa
 Best Western Laguna Brisas Spa
 Hotel, Laguna Beach
 Coast Inn, Laguna Beach
 Pacific Edge Hotel, Laguna Beach
 Seaside Laguna Inn & Suites, Laguna
 Beach
 Proposed Laguna Hills Hotel, Laguna
 Hills
 Hilton Garden Inn, Lompoc
 Hampton Inn Long Beach Airport,
 Long Beach
 Proposed Breakers Hotel Long Beach,
 Long Beach
 Dixie Hollywood Hotel, Los Angeles
 hClub, Los Angeles
 InterContinental Los Angeles
 Downtown, Los Angeles
 Loews Hollywood, Los Angeles
 Mr C Beverly Hills, Los Angeles
 Proposed Found Santa Monica, Los
 Angeles
 Proposed Hampton Inn & Suites
 Koreatown, Los Angeles
 Proposed Hotel Koreatown, Los
 Angeles
 Proposed Hyatt Place Olive Street, Los
 Angeles
 Proposed Spring Street Hotel, Los
 Angeles
 Proposed Staybridge Suites Los
 Angeles, Los Angeles

Proposed Tommie Hotel, Los Angeles	Proposed Dual-Branded Residence Inn & Courtyard by Marriott Orange, Orange	DoubleTree by Hilton San Diego Del Mar, San Diego
Proposed Unscripted Hotel, Los Angeles	Hampton Inn Channel Islands Harbor, Oxnard	Fairmont Grand Del Mar, San Diego
Silver Lake Pool & Inn, Los Angeles	Proposed Tru, Oxnard	Holiday Inn Express Hotel & Suites Otay Mesa, San Diego
Thompson Hollywood, Los Angeles	Ivy Palm Resort & Spa, Palm Springs	Holiday Inn Express & Suites San Diego Mission Valley, San Diego
Proposed Wellness Hotel Malibu, Malibu	Proposed Andaz Palm Springs, Palm Springs	Hotel Iris, San Diego
Proposed Hotel Mammoth Village, Mammoth Lakes	Proposed BODE: Palm Springs, Palm Springs	Hotel Palomar San Diego, San Diego
Proposed Resort Mammoth Lakes, Mammoth Lakes	Riviera Palm Springs, a Tribute Portfolio Resort, Palm Springs	Lafayette Hotel Swim Club & Bungalows, San Diego
Proposed Hampton Inn & Suites, Marina	Tova Hotel & Beach Club, Palm Springs	Marriott San Diego Del Mar, San Diego
Proposed SpringHill Suites by Marriott, Marina	Travelodge Palm Springs, Palm Springs	The Monsaraz Inn, Tapestry Collection by Hilton, San Diego
Jolly Roger Motor Hotel, Marina Del Rey	Holiday Inn Palmdale Lancaster, Palmdale	Proposed Fairfield Inn, San Diego
Proposed Menifee Hotel, Menifee	Motel 6 Paso Robles, Paso Robles	Proposed Hotel, San Diego
Best Western, Merced	Proposed Hotel Ava, Paso Robles	San Diego Marriott Del Mar, San Diego
Mountain Home Inn, Mill Valley	Proposed Patterson Hotel, Patterson	SpringHill Suites by Marriott San Diego Mission Valley, San Diego
Proposed Montebello Hotel, Montebello	Sheraton Sonoma County Petaluma, Petaluma	US Grant, San Diego
Monterey Hotel, Monterey	Motel 6, Pittsburg	Proposed Boutique Hotel San Dimas, San Dimas
Comfort Inn & Suites Temecula Wine Country, Murrieta	Proposed Courtyard by Marriott Pittsburg, Pittsburg	Holiday Inn Fisherman's Wharf San Francisco, San Francisco
Proposed Murrieta Hotel, Murrieta	Comfort Inn Near Fairplex Pomona, Pomona	Proposed Fairfield Inn & Suites by Marriott South San Francisco, South San Francisco
Best Western Elm House Inn, Napa	Comfort Inn & Suites, Rancho Cordova	San Jacinto Inn, San Jacinto
Hampton by Hilton Napa, Napa	Proposed Hampton Inn, Rancho Cucamonga	Proposed Hyatt Place, San Jose
Aloft Silicon Valley, Newark	Proposed Hotel at The River Mall, Rancho Mirage	La Cuesta Motor Inn, San Luis Obispo
TownePlace Suites by Marriott, Newark	Proposed Home2 Suites, Ridgecrest	Proposed Dual-Brand Hotel San Marcos, San Marcos
Proposed Hotel North Hollywood, North Hollywood	Proposed Roseville Hotel, Roseville	Proposed Home2 Suites, San Marcos
Proposed Select-Service Hotel, Northridge	Courtyard by Marriott Cal Expo, Sacramento	Proposed La Quinta Inn & Suites, San Pablo
Proposed Homage Oakland, Oakland	DoubleTree by Hilton, Sacramento	Proposed AC Hotel by Marriott San Rafael, San Rafael
Courtyard by Marriott Oceanside, Oceanside	Fairfield Inn Cal Expo, Sacramento	Proposed Homewood Suites, Santa Clarita
Proposed Cambria Hotel Ontario, Ontario	La Quinta Inn by Wyndham Sacramento North, Sacramento	Hampton Inn, Santa Cruz
Proposed Dual-Branded Homewood Suites by Hilton and Hampton by Hilton Ontario, Ontario	Quality Inn & Suites, Sacramento	Proposed Hampton by Hilton Santa Cruz, Santa Cruz
Proposed Element by Westin Ontario, Ontario	DoubleTree by Hilton Golf Resort, San Diego	Holiday Inn & Suites, Santa Maria
		Proper Hotel, Santa Monica
		Hotel Santa Rosa, Santa Rosa
		Proposed Residence Inn Scotts Valley, Scotts Valley

Proposed Hotel, Sonora
 Sonora Inn, Sonora
 Alpenrose Inn, South Lake Tahoe
 Firelite Lodge, Tahoe Vista
 Proposed Galway House, Temecula
 Proposed Hampton Inn Three Rivers,
 Three Rivers
 Travelodge Yucca Valley, Twentynine
 Palms
 Embassy Suites by Hilton, Valencia
 Hotel Erwin, Venice Beach
 Four Points by Sheraton Ventura
 Harbor Resort, Ventura
 Pierpont Inn Ventura, Ventura
 Proposed Avid Hotel Victorville,
 Victorville
 Marriott, Walnut Creek
 Proposed Hyatt Place Walnut Creek,
 Walnut Creek
 Proposed Residence Inn Walnut
 Creek, Walnut Creek
 Proposed Home2 Suites by Hilton
 Watsonville, Watsonville
 Hampton Inn, West Covina
 Holiday Inn West Covina, West Covina
 Andaz West Hollywood, West
 Hollywood
 The Charlie Hotel, West Hollywood
 London West Hollywood at Beverly
 Hills, West Hollywood
 DoubleTree by Hilton Whittier Los
 Angeles, Whittier
 Comfort Suites Woodland, Woodland
 Marriott Warner Center, Woodland
 Hills
 Proposed Staybridge Suites
 Woodland, Woodland

COLORADO

Proposed Gaylord Rockies Hotel &
 Convention Center, Aurora
 Hyatt Summerfield Suites, Broomfield
 Best Western Academy Hotel,
 Colorado Springs
 Proposed EVEN Hotel Victory Ridge,
 Colorado Springs
 All Inn Motel, Denver

DISTRICT OF COLUMBIA

Georgetown Suites Land Valuation
 Proposed Maison Kesh Hotel

FLORIDA

Marriott, Boca Raton
 Proposed Dual-Branded Residence
 Inn/SpringHill Suites by Marriott,
 Clearwater Beach
 Mayfair Hotel & Spa, Coconut Grove
 Hyatt Place, Delray Beach
 Hyatt Place at Coconut Point, Estero
 Hyatt Place, Fort Lauderdale
 Hilton Garden Inn, Fort Myers
 Four Points, Ft. Walton Beach
 Holiday Inn, Houston
 Proposed Courtyard, Jacksonville
 Wyndham Riverwalk, Jacksonville
 Terrace Hotel, Lakeland
 Proposed Holiday Inn & Suites, Miami
 Proposed Hotel, Miami
 Proposed Le Meridien, Miami
 Proposed Meininger Hotel, Miami
 Beach
 Proposed Hilton, Miami Beach
 The Raleigh Hotel, Miami Beach
 Proposed SpringHill Suites by
 Marriott, Navarre
 Embassy Suites Orlando Lake Buena
 Vista, Orlando
 Holiday Inn Express Hotel & Suites
 Orlando International Airport,
 Orlando
 Proposed WoodSpring Suites, Orlando
 Proposed Comfort Inn & Suites
 Panama City Beach, Panama City
 Beach
 Sheraton Suites Fort Lauderdale
 Plantation, Plantation
 Proposed Hotel, St. Augustine
 SpringHill Suites by Marriott, Sarasota
 Sawgrass Grand Hotel & Suites,
 Sunrise
 Hampton Inn, Tallahassee
 Hampton Inn Veterans Expressway,
 Tampa

GEORGIA

Proposed Curio - A Collection by
 Hilton, Alpharetta
 Courtyard by Marriott, Atlanta
 Holiday Inn Atlanta Perimeter
 Dunwoody, Atlanta
 Proposed Radisson, College Park
 Country Inn & Suites, Hiram
 Candlewood Suites, Lithia Springs
 Proposed Full-Service Tribute Hotel,
 Macon
 Holiday Inn Express, St. Simons Island
 Island Inn, St. Simons Island

HAWAII

Sheraton Keauhou Bay Resort & Spa,
 Kailua
 Proposed Kona Village, a Rosewood
 Resort, Kailua-Kona
 Four Seasons Resort O'ahu at Ko
 Olina, Kapolei

IDAHO

Proposed Hotel Boise Airport, Boise
 Proposed Economy Extended Stay,
 Coeur D'Alene

ILLINOIS

Proposed Extended-Stay Hotel,
 Bolingbrook
 Proposed Hampton Inn, Burr Ridge
 SpringHill Suites by Marriott, Burr
 Ridge
 Renaissance Chicago O'Hare Suites,
 Chicago
 Courtyard by Marriott Chicago
 Elmhurst Oakbrook Area, Elmhurst
 SpringHill Suites by Marriott,
 Elmhurst

INDIANA

Proposed Aloft, Indianapolis

IOWA

Proposed Waterpark Hotel,
 Davenport

Proposed University of Iowa Hotel,
Iowa City

KANSAS

Crowne Plaza Kansas City Overland
Park, Lenexa

LOUISIANA

Proposed Residence Inn by Marriott,
Bossier City

Hampton Inn, Houma

Hotel Acadiana, Lafayette

Wyndham Garden, Lafayette

Proposed Candlewood Suites,
Leesville

Astor Crowne Plaza, New Orleans

Hilton Garden Inn French Quarter,
New Orleans

Hyatt Regency, New Orleans

Proposed Hotel Alessandra, New
Orleans

Troubadour Hotel New Orleans,
Tapestry Collection by Hilton, New
Orleans

Wyndham Chateau Bourbon, New
Orleans

Holiday Inn, Ruston

Holiday Inn Express Hotel & Suites,
Ruston

Proposed La Quinta Inn & Suites,
Ruston

Nottoway Plantation Resort, White
Castle

MARYLAND

Proposed Hilton Garden Inn,
Baltimore

Sheraton Washington North, Beltsville

Country Inn & Suites by Carlson,
Frederick

Proposed Hotel Sorella, Rockville

MINNESOTA

Loews, Minneapolis

Westin, Minneapolis

MISSISSIPPI

Four Points, Biloxi

Proposed SpringHill Suites, Biloxi

South Beach Biloxi Hotel, Biloxi

Hampton Inn, Brookhaven

Magnuson Hotel Hattiesburg, North
Hattiesburg

Jackson Downtown Convention

Center Hotel, Jackson

Staybridge Suites Ridgeland,
Ridgeland

MISSOURI

Hilton Kansas City Airport, Kansas
City

MONTANA

Proposed Hotel, Big Sky

Proposed Hotel Gardiner, Gardiner

Proposed Best Western, Shelby

Holiday Inn Express, Sidney

NEVADA

Hampton Inn, Las Vegas

Proposed Delta Las Vegas, Las Vegas

Proposed Fairfield Inn & TownePlace
Suites Dual-Branded Hotel, Las
Vegas

Proposed Hotel Raiders Stadium, Las
Vegas

Proposed Limited/Select-Service
Hotel, Las Vegas

Holiday Inn Express Hotel & Suites
Mesquite, Mesquite

The Retreat On Charleston Peak,
Mount Charleston

Extended Stay America Reno South
Meadows, Reno

Vegas Vacant Land, Spring Valley

NEW JERSEY

Proposed Holiday Inn, Bayonne

Montreal Beach Resort, Cape May

TownePlace Suites by Marriott, Mount
Laurel

Holiday Inn, Princeton

NEW MEXICO

Proposed Home2 by Hilton

Alamogordo, Alamogordo

Proposed Downtown Hotel,
Albuquerque

Proposed TownePlace Suites
Albuquerque, Albuquerque

Sleep Inn & Suites, Hobbs

Proposed La Quinta Inn, Los Lunas

Holiday Inn Express, Portales

Proposed Hotel, Ruidoso

Hotel Santa Fe, Santa Fe

Inn at Loretto, Santa Fe

Proposed Boutique Hotel, Santa Fe

Hampton Inn, Santa Rosa

Holiday Inn Express, Santa Rosa

La Quinta Inn, Santa Rosa

Sagebrush Inn, Taos

NEW YORK

Marriott, Buffalo

Proposed Hampton Inn, Dewitt

Courtyard by Marriott New York

LaGuardia Airport, East Elmhurst

Proposed Tryp by Wyndham Long

Island City, Long Island City

Residence Inn, White Plains

Proposed Selina Woodstock,
Woodstock

NORTH CAROLINA

Proposed Fairfield Inn by Marriott,
Maggie Valley

Courtyard by Marriott, Raleigh

OHIO

Proposed Hilton, Chippewa Lake

Proposed Baldwin Hotel, Cincinnati

Holiday Inn, West Chester

Proposed Holiday Inn & Conference
Center, West Chester

Radisson Hotel at the University of
Toledo, Toledo

OKLAHOMA

Hilton Skirvin, Oklahoma City

OREGON

Hilton, Eugene

PENNSYLVANIA

DoubleTree by Hilton Pittsburgh
Garden Tree, Pittsburgh

SOUTH CAROLINA

Proposed 5-Star Hotel, Charleston
Proposed Marion Square Hotel,
Charleston
3 Palms Hotel, Myrtle Beach

TENNESSEE

Holiday Inn, Chattanooga
Proposed Select-Service Hotel,
Knoxville
Holiday Inn Memphis Downtown
Beale Street, Memphis
BentoLiving Chestnut Hill, Nashville
Proposed Dual-Brand Tru & Hampton
Inn, Nashville

TEXAS

Holiday Inn Express, Allen
Proposed 21c Hotel, Austin
Proposed Hotel Granduca, Austin
Proposed SpringHill Suites, Baytown
Value Place, Beaumont
Homewood Suites by Hilton, Bedford
Proposed Hotel Texas A&M
University, College Station
Proposed Tryp by Wyndham, College
Station
Proposed Staybridge Suites, The
Colony
Fairfield Inn & Suites Houston Conroe,
Conroe
Candlewood Suites, Corpus Christi
Comfort Suites Calallen, Corpus
Christi
Embassy Suites, Corpus Christi
Holiday Inn Airport, Corpus Christi
Holiday Inn Downtown, Corpus
Christi
Holiday Inn Express, Corpus Christi
La Quinta Inn & Suites, Corpus Christi

Proposed Schlitterbahn Resort,
Corpus Christi
Staybridge Suites, Corpus Christi
Proposed Hotel, Cypress
Le Méridien The Stoneleigh, Dallas
Proposed Aloft/Element Dual-
Branded Hotel, Dallas
Proposed Autograph Collection
Trinity Groves, Dallas
Proposed Courtyard/Residence Inn
Dual-Brand Hotel, Dallas
Proposed Residence Inn by Marriott,
Dallas
Proposed Residence Inn and AC by
Marriott Dual-Branded Hotel, Dallas
Proposed Saint Elm Hotel, Dallas
Hilton Garden Inn Denison Sherman
at Texoma Event Center, Denison
Proposed Hotel, Edinburg
Proposed Hyatt Place, Edinburg
Proposed Artisan Hotel Conversion, El
Paso
Sheraton Fort Worth Downtown
Hotel, Fort Worth
Proposed Hilton Garden Inn, Frisco
Westin Stonebriar, Frisco
Sheraton Fort Worth Downtown
Hotel, Fort Worth
SpringHill Suites by Marriott Fort
Worth University, Fort Worth
Proposed Full-Service Hotel Baybrook
Mall, Friendswood
Courtyard by Marriott, Galveston
Proposed Beachfront Hotel, Galveston
Proposed Beachtown Grand Hotel,
Galveston
Proposed Courtyard by Marriott,
Galveston
Proposed Downtown Hotel, Galveston
Proposed TownePlace Suites,
Galveston
TownePlace Suites by Marriott,
Galveston
Proposed Hotel, Georgetown
Best Western Fountainview, Houston
Crowne Plaza, Houston
Crowne Plaza Suites, Houston

DoubleTree Suites by Hilton Houston
Galleria, Houston
DoubleTree IAH, Houston
Four Seasons, Houston
Hampton Inn Houston Interstate 10
West, Houston
Hampton Inn & Suites Houston
Medical Center, Houston
Hilton Garden Inn Houston Bush
Intercontinental Airport, Houston
Hilton Garden Inn Houston
Northwest, Houston
Hilton Houston North, Houston
Hilton Houston Westchase, Houston
Holiday Inn Southwest, Houston
Holiday Inn Westchase, Houston
Homewood Suites by Hilton, Houston
Hotel Icon, Houston
Hyatt Regency, Houston
Intercontinental Houston Medical
Center, Houston
Magnolia Hotel, Houston
Marriott Houston North Greenspoint,
Houston
Proposed 314 Hotel, Houston
Proposed AC Hotel Houston
Downtown, Houston
Proposed Aloft, Houston
Proposed Embassy Suites, Houston
Proposed Hampton Inn/Homewood
Suites Downtown, Houston
Proposed Heights Hotel, Houston
Proposed Holiday Inn & Conference
Center Willowbrook, Houston
Proposed Holiday Inn Downtown,
Houston
Proposed Homewood Suites by
Hilton, Houston
Proposed Hotel Alessandra, Houston
Proposed Hotel Galleria, Houston
Proposed Hotel Zaza & Apartments,
Houston
Proposed Hyatt Place and Hyatt
House Dual-Brand Hotel, Houston
Proposed Hyatt Place, Houston
Proposed InterContinental Hotel,
Houston

Proposed JW Marriott, Houston
 Proposed Le Méridien, Houston
 Proposed Lifestyle Hotel, Houston
 Proposed Luxury Hotel Houston Galleria, Houston
 Proposed Marriott Marquis, Houston
 Proposed Montrose Hotel, Houston
 Proposed Select-Service Hotel, Houston
 Proposed SpringHill Suites, Houston
 Proposed Triple-Branded Hotel Houston Downtown, Houston
 Sam Houston Hotel (Curio Conversion), Houston
 Sheraton Houston North, Houston
 Sheraton Houston West, Houston
 Staybridge Suites, Houston
 Staybridge Suites Houston IAH Beltway 8, Houston
 Staybridge Suites Houston West Energy Corridor, Houston
 Staybridge Suites Houston Willowbrook, Houston
 Westin Galleria, Houston
 Westin Oaks, Houston
 Wingate by Wyndham Houston Bush Intercontinental, Houston
 Proposed Hotel & Conference Center, Huntsville
 Studio 6, Ingleside
 Proposed Westin, Irving
 Staybridge Suites DFW Airport North, Irving
 Wingate Las Colinas, Irving
 Sleep Inn & Suites, Jourdanton
 Super 8, Karnes City
 Homewood Suites by Hilton Houston/Katy Mills Mall, Katy
 Proposed Homewood Suites by Hilton, Katy
 South Shore Harbour Resort & Spa, League City
 Best Western, Luling
 Renaissance, McAllen
 Proposed Home2 Suites by Hilton, McKinney

Proposed SpringHill Suites by Marriott, McKinney
 Proposed Westin, McKinney
 Proposed Limited-Service Hotel, Melissa
 Proposed Extended-Stay Hotel, Midland
 Candlewood Suites, Monahans
 La Toretta del Lago Resort & Spa, Montgomery
 Candlewood Suites, Odessa
 Proposed Home2 Suites by Hilton, Pasadena
 Courtyard by Marriott Houston Pearland, Pearland
 Proposed Pearland Hotel, Pearland
 Proposed Fairfield Inn by Marriott, Pecos
 TownePlace Suites by Marriott Plano, Plano
 Holiday Inn Express Hotel & Suites, Port Aransas
 Holiday Inn Express, Port Arthur
 Proposed Hilton Garden Inn Porter, Porter
 Holiday Inn Express, Rockport
 Microtel Inn & Suites, Round Rock
 Proposed Holiday Inn (land), San Angelo
 Hilton San Antonio Airport, San Antonio
 Homewood Suites by Marriott, San Antonio
 Marriott Plaza, San Antonio
 Microtel Inn & Suites Airport, San Antonio
 Microtel Inn & Suites SeaWorld, San Antonio
 Proposed Thompson Hotel, San Antonio
 Baymont Inn & Suites, Snyder
 Proposed Fairfield Inn by Marriott, Snyder
 Schlitterbahn Resort, South Padre Island
 Proposed Home2 Suites, Stafford

Marriott Hotel and Conference Center, Sugar Land
 Proposed Red Lion Inn & Suites, Texas City
 Baymont Inn & Suites, Victoria
 Proposed Hotel, Webster
 Proposed Hotel & Conference Center, Webster
 Proposed Extended-Stay Hotel, The Woodlands
 Woodlands Resort & Conference Center, The Woodlands

UTAH

Peery Hotel, Salt Lake City
 Proposed Inn at St. George, St. George

VIRGINIA

Wingate Inn Dulles Airport, Chantilly
 Proposed Staybridge Suites, Charlottesville
 Delta Hotels, Chesapeake
 Westin Tysons Corner, Falls Church
 Proposed Hampton Inn, Gordonsville
 Holiday Inn, Lynchburg
 Magnuson Hotel & Convention Center at Oyster Point, Newport News
 Proposed Hotel Norfolk, Norfolk
 Holiday Inn Express & Suites Petersburg Fort Lee, Petersburg
 TownePlace Suites by Marriott, Stafford

WASHINGTON

Proposed AC Hotel, Bellevue
 Holiday Inn Express, Marysville
 Proposed Homewood Suites, Richland
 Proposed 4/C Tower Hotel, Seattle
 Holiday Inn Express, Sumner

WISCONSIN

Holiday Inn, Milwaukee

INTERNATIONAL

Colombia

Proposed Hyatt Place, Bogota

Conrad, Cartagena
 Proposed City Express Hotel,
 Cartagena
 Proposed Luxe Resort by The Charlee,
 Guatapé
 Proposed City Express Hotel, Medellín
 Proposed Courtyard by Marriott,
 Medellín
 Proposed Marriott, Medellín
 Proposed Hilton Garden Inn, Rionegro
 Proposed Airport Hotel, Rionegro

Costa Rica

Proposed Andaz, Guanacaste
 Proposed Boutique Resort,
 Guanacaste
 Proposed Paradisus Papagayo Bay
 Resort & Luxury Villas, Guanacaste
 Proposed Resort, Guanacaste
 Punta Cacique Proposed Resort,
 Guanacaste
 Proposed Boutique Resort,
 Guanacaste
 Proposed Limited-Service Hotel,
 Liberia
 Proposed Wellness Boutique Hotel,
 Matapalo
 Marriott Los Suenos, Playa Herradura
 Proposed Extended-Stay, San Jose
 Proposed Hyatt Place Pinares, San
 Jose
 Proposed Select-Service Hotel, San
 Jose
 Marriott Costa Rica, San Jose
 Proposed Hyatt Place, San Jose
 Proposed Lifestyle Hotel & Club, San
 Jose
 Proposed Luxury Hotel, San Jose

Dominican Republic

Proposed Auberge Resort, El Seibo
 Proposed Four Seasons, El Seibo

El Salvador

Proposed Full-Service Hotel, San
 Salvador

Proposed Select-Service Hotel, San
 Salvador

Guatemala

Proposed Four Seasons, Antigua
 Proposed Hotel, Guatemala City

Honduras

Proposed Hotel, San Pedro Sula

Mexico

Fairmont Acapulco Princess, Acapulco
 Fairmont Pierre Marques, Acapulco
 Proposed Hotel, Acapulco
 Bacalar Land Parcels, Bacalar
 Proposed Bacalar Hotel, Bacalar
 Cabo de Cortes Fairmont/Raffles
 Development, Cabo San Lucas
 Cabo San Cristobal, Cabo San Lucas
 Proposed Luxury Hotel & Villa Project,
 Campeche
 Proposed Master-Planned
 Development (2), Campeche
 Dreams Resort, Cancun
 Elan Resort & Spa, Cancun
 El Pueblito, Cancun
 Fiesta Americana Condesa Cancun,
 Cancun
 Le Meridien, Cancun
 Yalmanan Resort, Cancun
 Westin Soberano, Chihuahua
 Proposed Quinta Real Hotel
 Development, Culiacán
 Proposed Banyan Tree, Ensenada
 Proposed Boutique Hotel Project,
 Guadalajara
 Proposed Fiesta Inn del Tapatio,
 Guadalajara
 Proposed Hotel Project, Guadalajara
 Proposed Mixed-Use Development,
 Guadalajara
 Proposed Vi Hotel, Guadalajara
 Hotel Condesa, Leon, Guanajuato
 Tesoro, Ixtapa
 Proposed Hotel & Residential
 Development, Ixtapan de la Sal
 Proposed Park Hyatt, Kanai

Proposed St. Regis, Kanai
 Proposed W Hotel, Kanai
 Desire Resort, Los Cabos
 Esperanza Resort, Los Cabos
 Proposed Thompson Hotel, Los
 Veneros
 Tesoro Manzanillo, Manzanillo
 Embassy Suites, Mexico City
 Le Méridien, Mexico City
 Proposed City Express Hotel, Mexico
 City
 Proposed Limited-Service Hotel,
 Mexico City
 Proposed Hotel & Condo, Monterrey
 Proposed Hotel, Monterrey
 Proposed Limited-Service Hotel, Playa
 del Carmen
 Proposed Resort, Playa del Carmen
 Ceiba del Mar, Puerto Morelos
 Paraíso de la Bonita, Puerto Morelos
 Proposed Puerto Telchac Hotel &
 Residential Project, Puerto Progreso
 Presidente InterContinental, Puerto
 Vallarta
 Proposed City Express Hotel,
 Queretaro
 Proposed Capella Punta Maroma,
 River Maya
 Proposed Grand Hyatt, Riviera Maya
 El Dorado Ranch Hotel & Excess Land,
 San Felipe
 Proposed Hotel, San Miguel de
 Allende
 Proposed Quinta Real Hotel &
 Residential, San Miguel de Allende
 Dreams Resort, Tulum
 Secrets Capri Resort, Tulum

Panama

Proposed Boutique Hotel, Panama
 City
 Proposed Full-Service Hotel, Panama
 City
 Proposed Limited-Service Hotel,
 Panama City

Peru

Proposed Hyatt Place, Lima

Puerto Rico

Hilton, Caribe

Embassy Suites San Juan Hotel &
Casino, Carolina

Proposed Boutique Hotel, Ponce

Proposed El Vigía Hotel and
Residences, a Tribute Portfolio
Resort, Ponce

Courtyard by Marriott (Expansion),
San Juan

Proposed 1,000-Room Hotel & Casino
San Juan, San Juan

Saint Lucia

Proposed Master Planned
Development

Spain

Villaitana Wellness Golf & Business
Sun Resort, Benidorm



Business, Consumer Services & Housing Agency
BUREAU OF REAL ESTATE APPRAISERS
REAL ESTATE APPRAISER LICENSE

Luigi M. Major

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

“Certified General Real Estate Appraiser”

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: 3005056

Effective Date: January 12, 2022

Date Expires: January 11, 2024

Loretta Dillon, Deputy Bureau Chief, BREA

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